

SIGIR OVERSIGHT

SIGIR AUDITS
SIGIR INSPECTIONS
SIGIR INVESTIGATIONS
SIGIR HOTLINE
SIGIR WEBSITE
LEGISLATIVE UPDATE

SECTION 3

3

SIGIR AUDITS

From May 1, 2008, to July 30, 2008, SIGIR completed seven new audit products. Since March 2004, SIGIR has issued 122 audit products.

This quarter, SIGIR audits addressed a diverse range of issues and programs:

- two focused contract audits in a continuing series dealing with outcomes, costs, and oversight issues associated with major reconstruction contracts in Iraq
- a broad look across the entire body of SIGIR audit reports to identify key recurring management issues that, if not addressed, could adversely affect similar types of reconstruction efforts in the future
- improvements that the U.S. government should consider for the Iraq Reconstruction Management System (IRMS) to better ensure a single source for complete and consistent data on reconstruction projects in Iraq
- information on the status of U.S. funding for infrastructure projects supporting the Iraqi

Security Forces, and on the progress of the GOI taking on increased responsibilities in funding this area

- a review of key U.S. government and GOI anticorruption efforts in Iraq
- an overview of a special Department of Defense (DoD) program to foster economic recovery in Iraq—the first of several SIGIR efforts planned to compare and contrast the effectiveness and efficiency of various U.S.-funded programs to facilitate and stimulate economic recovery and development in Iraq

For a list of these audit products, see Table 3.1.

SIGIR is currently working on 11 ongoing audits and plans to start a number of others next quarter. SIGIR performs audit work under generally accepted government auditing standards.

- For information on all SIGIR audit projects issued as of July 30, 2008, and for the full text of

SIGIR Audit Products, 5/1/2008–7/30/2008

REPORT NUMBER	REPORT TITLE	DATE ISSUED
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC	July 2008
08-019	Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.	July 2008
08-020	Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts	July 2008
08-021	Comprehensive Plan Needed To Guide the Future of the Iraq Reconstruction Management System	July 2008
08-022	Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains	July 2008
08-023	Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions, but Much Remains To Be Done	July 2008
08-024	Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq	July 2008

TABLE 3.1

all final audit products, see Appendix J, Table J-1, and the SIGIR website: www.sigir.mil.

- For information on the status of implementation of SIGIR recommendations from its audit products and recommendations that remain open, see Appendix J, Table J-2.
- For information on significant open recommendations from prior reports, see Appendix J.

SIGIR's work is coordinated with other audit entities engaged in Iraq-related work, and that coordination is reinforced by the Iraq Inspectors General Council (IIGC), which meets quarterly to discuss ongoing and future oversight work. The objective of the IIGC is to prevent duplication of effort and to share information and experiences gained from ongoing audit activity.

On Wednesday, May 14, 2008, the IIGC met at SIGIR headquarters in Arlington, Virginia. The participants included representatives from SIGIR, the Department of Defense Office of Inspector General (DoD OIG), the Department of State Office of Inspector General (DoS OIG), the U.S. Agency for International Development Office of Inspector General (USAID OIG), the Defense Contract Audit Agency (DCAA), the U.S. Army Audit Agency (USAAA), and the Government Accountability Office (GAO). Some members participated by phone from Baghdad and U.S. locations.

SIGIR also coordinates a quarterly interagency working group meeting in Baghdad to discuss the ongoing and planned audit work of all U.S. audit groups in Iraq. Additionally, SIGIR audit representatives attend periodic meetings at DoD

OIG to further coordinate ongoing and planned audit activities.

FINAL SIGIR AUDIT PRODUCTS FOR THIS QUARTER

Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC

(SIGIR-08-018, JULY 2008)

Introduction

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." To fulfill this requirement, SIGIR has undertaken a series of audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, the sixth in the series of focused contract audits, examines reconstruction work contracted by the U.S. government and performed by FluorAMEC, LLC, and also focuses on the problems associated with the transfer of completed projects to the GOI.

In March 2004, at the request of the Coalition Provisional Authority (CPA), the Naval Facilities Engineering Command awarded FluorAMEC a cost-plus award-fee indefinite-delivery, indefinite-quantity contract (W914NS-04-D-0022) to provide design-build projects in the water sector in southern Iraq. In addition to a task order for mobilization into Iraq, FluorAMEC was issued four construction-project task orders:

- Nassriya Water Supply (Nassriya Project)
- Basrah Sewage (Basrah Project)
- Diwaniya and Daghara Water Supply Project (Diwaniya Project)
- Najaf and Kufa Water Supply Project (Najaf Project)

A variety of U.S. agencies have been responsible for program management and contract management of this contract. Initially, the CPA's Program Management Office (PMO) had program management responsibilities; however, in May 2004, the Project and Contracting Office (PCO) replaced the PMO and took over those responsibilities. In October 2006, the U.S. Army Corps of Engineers, Gulf Region Division (GRD), replaced the PCO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed contract management responsibilities from the CPA.

Results

Work on this contract was deemed generally successful; however, less was accomplished under the contract than expected for two reasons. First, the funding planned for water-sector projects was reduced. Second, water-sector projects proved to be significantly more costly than initially estimated. More than \$2 billion of the \$4.2 billion originally allocated for the water-sector projects was redirected to other sectors. Of four construction task orders issued, two were completed (Nassriya and Basrah), and two were terminated for the convenience of the government because of funding constraints (Diwaniya and Najaf).

SIGIR identified these key facts and issues related to contract outcome and cost:

As of May 5, 2008, \$318.51 million had been disbursed against the contract's \$500 million ceiling—97% of these expenditures was associated with the two completed task orders. Most of the funds were spent on the expanded Nassriya Project.

A number of factors negatively impacted work on the two completed construction task orders: funding constraints, increased costs, schedule slippages related to the unstable security environment, and changes in the planned scope of work.

Of the two completed task orders, the Nassriya water-treatment facility was the largest and most ambitious project. The project ultimately consolidated planned water-treatment facilities at three towns into one larger-capacity facility and also extended pipelines to the two other towns. SIGIR identified deficiencies in cost estimates as a significant factor in the U.S. government's inability to predict the 51% cost increase for the Nassriya Project after definitization.

The Basrah Project included multiple tasks related to upgrading the wastewater collection and treatment system, but numerous design and scope changes were made over the first months of the project to reflect evolving priorities and budget constraints.

Task orders for water-supply projects at Diwaniya and Najaf were terminated at the 60% design stage, about six months after the task orders were issued, because of water-sector funding constraints. As of May 2008, \$6.89 million had

been spent on these two projects. Funds expended on such terminated projects could be viewed as wasted if the designs are not used.

SIGIR's review identified extensive efforts on the part of U.S. government organizations to carry out contract management tasks, including oversight, quality assurance, contract administration, and reporting. The U.S. government substantially relied on a contractor to provide assistance in managing and overseeing the projects. SIGIR noted the following management issues that adversely affected the projects:

Inappropriate payment of award fees. The U.S. government paid \$1.24 million in award fees on the terminated task orders—including \$573,605 that was inappropriately paid after termination, an action contrary to the award fee plan. On the completed task orders, the award fees were structured and administered to provide an incentive for improved contractor performance.

Insufficiently defined scope of work. The initial contract specified the broad mission to restore, rebuild, and develop water, wastewater, and solid waste projects, and the subsequent task orders did little to define the required work. The Nassriya Project task order required a preliminary technical study of alternatives, and the Basrah Project task order required an assessment and coordination study.

Inadequate preparation of detailed and independent cost estimates. For the Nassriya Project, the initial cost estimate and the definitized estimate were both considered unrealistic, and the required independent government estimate

was not a good predictor of future costs. Realistic estimates are needed for effective management and oversight and to minimize the potential for fraud, waste, and abuse.

Not initiating timely action to close out task orders. Failing to close out task orders resulted in increased costs and administrative burdens. This is most evident with Task Orders 4 and 5: they were terminated in July 2005, but were only recently submitted to a termination contracting officer for closeout.

SIGIR has previously reported on the difficulties transferring completed U.S.-funded projects to the GOI, along with concerns about the long-term sustainment of transferred facilities.⁷⁴⁵ The completed Nassriya and Basrah Projects were examples of that problem, despite contract tasks to help ensure successful transfer and operation. For example, the Nassriya task order required FluorAMEC to provide classroom and hands-on training for Iraqi plant operators and staff. However, a lack of qualified trainees severely hampered training progress, and the GOI was reluctant to assume responsibility for the completed plant. Since the transfer, the plant has operated below capacity. SIGIR identified these problems in an April 2008 inspection report⁷⁴⁶ and recommended actions to increase operational output and avert further deterioration. The GOI's current and anticipated lack of capacity to operate and maintain the plant raises serious concerns about its long-term sustainability and places the investment at risk of being wasted.

Because SIGIR's reports on transferring completed projects and the SIGIR inspection

report on Nassriya contained recommendations, this report makes no recommendations on these issues.

Recommendation

SIGIR recommends that JCC-I/A establish timeframes for closing task orders to minimize costs and administrative expenses. As Task Orders 4 and 5 are closed out, JCC-I/A should ensure that excessive award fees paid are recovered.

Lessons Learned

U.S. reconstruction projects in Iraq were hampered by the unstable security environment, funding uncertainties, and time constraints. These conditions created difficulties in accomplishing pre-award planning, defining project requirements, and overseeing contractor performance. Nevertheless, fundamental elements of contract management, project management, and oversight should be accomplished to the extent possible. SIGIR identified a number of lessons that U.S. government organizations could apply to future reconstruction projects in a contingency environment, including:

- Recognize in planning assumptions and budget estimates that undertaking reconstruction activities before security conditions have been stabilized will increase the cost of security and decrease the likelihood that cost, schedule, and performance goals will be met.
- Complete comprehensive pre-award planning, including realistic and well-defined work scopes and estimates of costs and schedules.

These are needed for effective government management and oversight of reconstruction projects and to minimize the potential for fraud, waste, and abuse.

- To the extent possible, ensure that needed funds will be available to complete projects before awarding contracts/task orders. This will reduce the likelihood of potentially wasteful terminations caused by funding reductions.
- Definitize contracts/task orders only after complete and supportable cost and schedule information is available. Premature definitization based on limited design and construction information, especially in a contingency environment, can result in unanticipated project cost increases, schedule delays, and potential waste.
- Before taking a major contract action, such as definitization, prepare independent and comprehensive estimates of government cost and schedule. The lack of these estimates to evaluate contractor proposals can result in unanticipated costs increases, schedule delays, and potential waste.
- Take early action to address project transfer and sustainment issues with the host government. Expectations of future project performance could be overstated unless long-term operation and maintenance issues are resolved.
- Take timely actions to close out task orders to help reduce costs and avoid administrative burdens.

Management Comments and Audit Response

In preparing this report, SIGIR considered written comments from the Multi-National Force-Iraq (MNF-I) and the U.S. Army Corps of Engineers, Gulf Region Division (GRD).

MNF-I responded that JCC-I/A concurs with the recommendation and the specific findings supporting it. To address that portion of the recommendation related to contract closeout timeframes, JCC-I/A plans to examine personnel constraints and the potential for additional resources. To address that portion of the recommendation related to excessive award fees, JCC-I/A will use final closeout audits through the Defense Contract Audit Agency to resolve award-fee discrepancies. SIGIR supports the plans and will follow up on progress to complete these actions at the appropriate time.

GRD comments correctly cite a paragraph in SIGIR's draft report that raised questions about the adequacy of the independent government estimate for the Nassriya Project. However, the comments then stated that SIGIR's position is that using any materials provided by the design-build contractor is not appropriate when developing an independent government estimate. This is not correct. As noted in this report, SIGIR's position is that the independent government estimate for this project—based largely on the same limited design information as the FluorAMEC proposal—was neither comprehensive nor independent. As a result, it was not a good predictor of the growth in costs that occurred over the next few months.

Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.

(SIGIR-08-019, JULY 2008)

Introduction

A December 2006 amendment to SIGIR's enabling legislation and an expanded mandate in the 2008 National Defense Authorization Act, P.L. 110-181, require that SIGIR prepare a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." Under this requirement, SIGIR has undertaken a series of focused contract audits to examine major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report is the seventh in a series of focused contract audits. It examines reconstruction work contracted by the U.S. government and performed by Parsons Delaware, Inc. (Parsons). In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority, awarded Parsons a cost-plus award-fee contract (W914NS-04-D-0009) to provide design and construction services in Iraq's security and justice sector.

This contract was one of ten design-build construction contracts approved by the Deputy Assistant Secretary of the Army for Policy and Procurement to provide an overarching framework of construction capability to restore the Iraqi infrastructure. The contracts were issued in six defined work sectors, including the water, oil, transportation, and electric sectors. The contracts

were competitively awarded and included a two-year base period with three one-year option periods. This contracting approach was intended to allow continuity of operations and facilitate re-competition after the completion of these contracts.

A variety of U.S. agencies have been responsible for program management and contract management of this contract. Initially, the CPA's Program Management Office (PMO) had program management responsibilities; however, in May 2004, the Project and Contracting Office (PCO) replaced the PMO and took over those responsibilities. In October 2006, the U.S. Army Corps of Engineers, Gulf Region Division (GRD) replaced the PCO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed contract management responsibilities from the CPA.

Because of the large number of program and contract management offices involved and the changes in responsibilities, SIGIR refers collectively to these offices as "U.S. government." Funding for this contract was provided by the Iraq Relief and Reconstruction Fund (IRRF) and the Development Fund for Iraq.

Limitation on the audit. The scope of the audit work was limited by incomplete contract documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of the review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in

locating the contract award files.

SIGIR also could not locate inventory records for items purchased by the contractor in support of construction activities. The exact value of inventory purchased to support the task orders is unknown. However, under Task Order 8, the value of inventory purchased for one project, the An Nassriya Corrections Facility project, was approximately \$3 million. Without proper accountability, inventory purchased to support task orders is vulnerable to loss and theft.

During this review, the SIGIR audit team did not visit project construction locations; however, SIGIR has visited Parsons construction sites on other audits and inspections. This report includes information from that work. Because of the passage of time since work on this contract was completed, SIGIR could not locate individuals who worked directly on the contract during the construction period to discuss contract history or project management issues. Consequently, SIGIR relied primarily on the contract files and discussions with current contract officials to accomplish this work.

Results

Far less was accomplished under this contract than originally planned: only about one-third of the planned projects were completed. Although the failure to complete some of the work is understandable because of its complex nature and the unstable security environment in Iraq, millions of dollars in waste are likely associated with incomplete, terminated, and abandoned projects under this contract. However, precise amounts of funds expended for projects that have not been

completed are not easily aggregated because of the uncertain future of incomplete projects. Some measure of the potential for funds expended for which there was not a usable facility is suggested by the fact that slightly more than \$142 million, or almost 43% of the contract's disbursed funds, were spent on projects that were either terminated or canceled, although a number of projects were subsequently completed. Contract management weaknesses also played a key role in the contract outcomes.

As of May 21, 2008, almost \$333 million had been disbursed against the contract's \$900 million construction ceiling,⁷⁴⁷ and an additional \$34 million was obligated for the settlement of claims made by Parsons and its subcontractors.⁷⁴⁸ Of the 56 task orders issued under the contract, 3 were for mobilization, program support, and contract closeout; 53 were for construction projects.

Of the 53 construction project task orders, 18 were completed, 7 were partially completed before being terminated for the U.S. government's convenience, 2 were terminated for default, and 26 were canceled before any significant construction activity.⁷⁴⁹ The U.S. government cited repeated delays in construction as the reason for terminating seven task orders for convenience and two for default. In June 2007, the U.S. government, citing security concerns, abandoned the partially completed Kahn Bani Sa'ad Corrections Facility—one of the defaulted task order projects. This decision was made after the U.S. government disbursed approximately \$40 million against project costs, and the project was reported to be approximately 52% complete. Of this amount, \$31 million was paid to Parsons,

and \$9 million was paid to other contractors. Parsons received no award fee on this task order. The entire amount disbursed for this project may ultimately be wasted because the GOI has no plan for completing or using this facility.

The other task order terminated for default was Phase I of the An Nassriya Corrections Facility. The project included the construction of 2 maximum/medium-security buildings and 13 other administrative and operations buildings at the An Nassriya site. The task order called for completion of construction in November 2005. In July 2006, after repeated delays in construction, the government terminated the task order for default. At termination, the two security buildings were approximately 45% complete, and the remaining 13 buildings ranged from 26% to 48% complete. A total of \$30,998,481 was disbursed in payment for this work, and about \$17 million in obligations still needs to be settled. Further, SIGIR was unable to determine the status of about \$3 million in property purchased under this task order, including four armored vehicles valued at \$150,000 each. Parsons received no award fee on this task order.

After terminating the task order, the government awarded a short-term bridge contract to Parsons' subcontractor for continuity of operations. It also awarded a contract for the remaining work on Phase I to a different Iraqi contractor. The bridge contract and the follow-on contract had a total value of approximately \$16.5 million. Phase I of this project, the same phase started by Parsons in 2004, was completed by the follow-on contractor and turned over to the GOI in May 2008. As of May 21, 2008, disbursements for

SUMMARY OF TASK ORDER OUTCOME AND COSTS, AS OF 5/21/2008

TASK ORDERS	NUMBER OF TASK ORDERS	OBLIGATIONS	DISBURSEMENTS	PERCENT OF CONTRACT DISBURSEMENTS
Administrative Task Orders for Mobilization, Program Support, or Closeout ^a	3	\$57,491,471	\$57,491,247	17%
Canceled Task Orders ^b	26	\$5,874,409	\$5,884,037	2%
Completed Task Orders	18	\$133,672,928	\$132,830,287	40%
Task Orders Terminated for the Government's Convenience	7	\$92,204,702	\$74,368,239	22%
Task Orders Terminated for Default	2	\$77,148,414	\$62,055,678	19%
Totals	56	\$366,391,924	\$332,629,488	100%

Source: SIGIR analysis of JCC-I/A contract data, May 2008.

^a Administrative costs are understated because program support costs were charged directly to project task orders before November 2004.

^b Disbursements for canceled task orders exceed obligations by \$9,628. This amount is attributable to Task Order 46. JCC-I/A is aware of this difference and is researching it.

TABLE 3.2

work performed by Parsons, the bridge contract, and the new contract totaled \$47,491,742—about 4% more than the original estimate—with almost \$17 million in obligations still to be settled.⁷⁵⁰

Table 3.2 shows the estimated cost at definitization and the current obligation and disbursement status for each group of task orders.⁷⁵¹

Although all task orders under the contract have been completed, terminated, or canceled, the contract costs are not final until the contractor's claims are settled and the required audits have been completed.

The terminated and canceled task orders accounted for \$142,307,954—almost 43% of the contract's \$332,629,488 in disbursements. In many cases, terminating or canceling a task order should not be construed as a negative action. Depending on the facts and circumstances, termination or cancellation may be the best business decision the government can make. Some of the terminated task orders had substantial work completed before their termination, and two of the task orders with disbursements of approximately \$98.7 million were subsequently completed by other contractors. A JCC-I/A presentation shows that only 30% of the task orders awarded under the Parsons contract were completed to their full scope of work.

Table 3.3 shows the outcome for the 27 completed or terminated task orders by the type of facility constructed. The most successful projects

were for the construction of border control facilities and other security-related facilities. Projects for the construction of fire stations, police facilities, and courthouses had less successful outcomes.

The following summarizes what SIGIR found by type of facilities:

Border Control Facilities. Eight task orders were awarded to build border control facilities, and all eight were completed with disbursements of \$76 million—about 23% of the total disbursements under this contract. SIGIR reviewed the three largest task orders (Task Orders 3, 34, and 36) and found that they called for the construction of 123 facilities at an estimated cost of about \$57 million. Ultimately, 114 border control facilities were constructed under these task orders, with disbursements of about \$63 million, as of May 21, 2008.

Police and Civil Defense Training Facilities. Three task orders were awarded to build police and civil defense training facilities, and one was completed. Two task orders to construct the Baghdad Police Academy were terminated for the convenience of the government because of repeated delays, the failure to remediate construction deficiencies, and increasing costs. At termination, most of the buildings at the Baghdad Police Academy were approximately 95% complete; a dining hall was approximately 75% complete, and the gymnasium was approximately

TASK ORDER OUTCOME, BY TYPE OF FACILITY

TYPE OF FACILITY	NUMBER OF TASK ORDERS	TASK ORDERS COMPLETED	TASK ORDERS TERMINATED
Border Control Facilities	8	8	0
Police and Civil Defense Training Facilities	3	1	2
Corrections, Courthouses, and Municipal Facilities	5	3	2
Fire Stations	7	2	5
Other Security-related Facilities	4	4	0
Totals	27	18	9

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

TABLE 3.3

55% complete. A total of about \$56 million was disbursed as of May 21, 2008, under the task orders. The award fee paid to Parsons for work on these tasks order was \$3,568,303—approximately 51% of the total award fee available.

After Parsons was terminated, the responsibility for contract management transferred from GRD to the Air Force Center for Engineering and the Environment. The Center awarded a \$9 million contract to a different contractor to repair defective work under the original contract and to complete the facilities. Some problems could not be fixed, however. For example, the failure to properly install expansion joints could not be remediated, and in several buildings the plumbing deficiencies were so significant that the water had to be turned off and a separate building erected for shower and lavatory use.

Corrections, Courthouses, and Municipal Facilities. Five task orders were awarded for corrections, courthouses, and municipal facilities (Task Orders 7, 8, 50, 52, and 54), and three were completed. Two task orders for the construction of prisons were terminated for default. Approximately \$85 million was disbursed on these five task orders as of May 21, 2008. The

completed task orders were for the construction of the Iraqi Special Tribunal (\$19 million) and the Central Court in Baghdad (\$4 million).⁷⁵² The government's original estimated cost for the Iraqi Special Tribunal was \$12,658,294, but disbursements totaled more than \$19 million as of May 21, 2008, because of administrative changes, scope and funding changes, and cost overruns. The award fee paid to Parsons for this task order was \$1,232,765—79% of the available award fee. In March 2006, a Department of Justice project engineer noted significant deficiencies in the construction of the Iraqi Special Tribunal. To correct these deficiencies, the Department of Justice awarded more than \$2 million in additional contracts to other contractors.

The two task orders terminated for default were the Kahn Bani Sa'ad Corrections Facility and Phase I of the An Nassriya Corrections Facility. In June 2007, the U.S. government, citing security concerns, abandoned the partially completed Kahn Bani Sa'ad Corrections Facility after approximately \$40 million had been disbursed. The An Nassriya Corrections Facility was terminated after approximately \$31 million had been disbursed. This project was subsequently

awarded to another contractor and completed.

Fire Stations. Seven task orders were awarded for the construction of fire stations, of which only two were completed. Five task orders were terminated for the convenience of the government. Approximately \$23 million was disbursed for these seven task orders—about 7% of total disbursements under this contract. SIGIR reviewed the largest task order, Task Order 51, which called for Parsons to design and construct 21 fire stations in Anbar and Baghdad. Because of multiple delays and cost increases, the U.S. government reduced the number of stations to be constructed to 11. Later, another fire station was eliminated before construction began because of land ownership issues, and a second was terminated for the convenience of the government after it was bombed twice during construction, leaving nine. In 2006, Parsons completed the nine fire stations and transferred them to the GOI. The award fee paid to Parsons for work on this task order was \$296,294—23% of the total available award fee.

Other Security-related Facilities. Four task orders were awarded for other security-related services (Task Orders 14, 15, 47, and 48), and all four were completed with disbursements of about \$26 million—about 8% of total disbursements under this contract. Key projects include the National Iraqi Police Service Counter Terrorism Training Facility (with disbursements of almost \$8 million), the Taji Military Training Facility (almost \$9 million), and the Dignitary Protective Service Academy (about \$9 million).

SIGIR's work identified significant weaknesses in the U.S. government's oversight of the contract. These weaknesses created an environment that

was conducive to waste and inefficiency, as evidenced by the large number of project terminations and cancellations. The weaknesses include a high turnover of contracting officers, a heavy contracting officer workload, missing records, and failure to follow up on construction deficiencies. More specifically:

- The government's contracting and program management oversight was hindered by high personnel rotation. More than 18 contracting officers worked on this contract over its two-year life from award to termination, which resulted in poor continuity of operations, lack of historical knowledge specific to the contract, and weak working relationships between the U.S. government and Parsons.
- The government's contracting and project management officials had an excessively high workload, with responsibility for a significant number of contracts, many with multiple task orders. Although SIGIR could find no criteria detailing the number of contracting and project management staff that should be assigned to a contract, a JCC-I/A official said that a contract the size of the Parsons Security and Justice contract in the United States might have 50-60 contracting professionals assigned, including administrative contracting officers, contracting specialists, and contracting officer representatives. Yet only 10 to 12 contracting officers and specialists were working on the Security and Justice contract in Iraq, according to a senior contracting officer. This workload appears to have prevented contracting officials from devoting the time and attention necessary to properly oversee the contract.
- SIGIR found no evidence that the U.S. gov-

ernment tracked construction deficiencies to ensure that Parsons remediated faulty work on a timely basis. The review identified multiple incidents in which contracts were later awarded to fix construction deficiencies in the original contractor's work.

Recommendations

SIGIR recognizes that GRD bears limited responsibility for issues identified in this report because many of these issues occurred before GRD assumed responsibility for the contract. Nonetheless, Parsons left Iraq approximately two years ago, and responsibility for closing this contract now lies with GRD and JCC-I/A. Consequently, SIGIR recommends that the Commanding General, GRD, and the Commander, JCC-I/A, take action to locate the property records and ensure that property purchased by Parsons and paid for by the U.S. government under the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

SIGIR also recommends that the Commanding General, GRD, and the Commander, JCC-I/A, locate the contract award file and ensure that it is included in the master contract file.

Lessons Learned

The reconstruction projects under this contract were executed in unstable security conditions and were beset by funding uncertainties, insufficient contract management and oversight personnel, and unrealistic timelines. Because of poor security conditions and limited personnel resources, it was difficult for responsible government officials to visit project sites, plan and

define project requirements, and oversee contractor performance once construction began. These conditions created a high-risk contracting environment and approaches that ultimately led to a high level of project failure and waste. SIGIR has identified the following lessons that the U.S. government should consider before undertaking reconstruction projects in a similar contingency environment:

- In operation plans, the government should include reconstruction risk guidance specific to the operation—including risk-benefit analysis guidelines, if possible—that commanders and civil agency managers can use to guide their reconstruction planning and management decision-making process. These guidelines at a minimum should address the degree of risk that is acceptable as it relates to an operation's reconstruction goals and federal resource stewardship responsibilities.
- Commanders should avoid initiating projects without comprehensive preconstruction planning, including realistic and well-defined work scopes and cost and schedule estimates, unless strategic objectives are deemed to outweigh the risks of project failure. In such situations, the projects should receive the explicit approval of senior commanders or government managers before initiation.
- If the government decides to undertake a high-risk construction project, it should prepare a comprehensive and independent government estimate that accurately identifies the costs associated with the project, particularly those costs associated with the accepted risk. This information should be a mandatory part of the risk-benefit analysis.

- If government oversight and surveillance of project activities is impeded to any significant degree by security concerns, senior management should be made aware and construction should continue only when strategic objectives are deemed to outweigh the risks of project failure.

Management Comments and Audit Response

GRD provided comments and stated that it concurred with the recommendations in the report. GRD also stated that it took exception to the use of the word “waste” throughout the report when used to describe incomplete, terminated, and abandoned projects. SIGIR considered this comment and revised certain language to clarify the message. Specifically, SIGIR believes that waste can occur if incomplete and terminated projects are not ultimately finished and used by the Iraqi government. GRD’s comments are printed in their entirety in Appendix E of the report. GRD also provided technical comments that are addressed in the report where appropriate.

Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts (SIGIR-08-020, JULY 2008)

Introduction

May 2003 marked the end of U.S. combat operations to defeat Saddam Hussein’s military forces and the beginning of U.S. efforts to provide reconstruction assistance to Iraq. The Coalition Provisional Authority (CPA) was created as the interim managing body for governance and reconstruction activities. The U.S. Congress initially appropriated about \$3.45 billion for initiatives to

reconstruct Iraq; of this amount, \$2.475 billion was provided by Public Law 108-11⁷⁵³ to establish the Iraq Relief and Reconstruction Fund (IRRF). In November 2003, the Congress passed the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan (Public Law 108-106). The act provided additional funding for reconstruction activities and also created the Office of the CPA Inspector General (CPA-IG), which in October 2004 became the Special Inspector General for Iraq Reconstruction (SIGIR).

Since the initial congressional appropriation, other appropriated funds have financed a broad array of reconstruction activities—from building hospitals to improving the capacity of the Iraqi ministries to govern, manage their finances, and maintain and sustain U.S. reconstruction projects. As of July 2008, the U.S. Congress had appropriated approximately \$50 billion for all relief and reconstruction activities.

As of July 30, 2008, SIGIR and its predecessor (CPA-IG) have issued 122 audit reports. SIGIR has reported on the management and implementation of almost every aspect of reconstruction activities, including building projects, anticorruption programs, and the development of a financial management information system to support ministry decision-making. A number of these reports have identified important lessons learned to apply to future reconstruction efforts and recommendations to improve ongoing activities. To date, SIGIR has also issued three special reports presenting lessons learned in human capital management, contracting and procurement, and program management.

After five years of reconstruction and during

a critical year in which many completed reconstruction projects will be transferred to the GOI, SIGIR evaluated its overall body of audit work to identify additional steps to consider for the government that would be useful to the Executive Branch and the Congress for managing reconstruction activities. Therefore, this report looks across the totality of SIGIR audit reports and identifies the broad, key, recurring management issues that—if better understood—may help guide improvements in the ongoing Iraq reconstruction efforts. Further, without adequate advance preparation to address them, these issues could continue to be problems if the U.S. government becomes involved in similar reconstruction efforts in the future.

Results

SIGIR identified four broad recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audit work:

- The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment.
- The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects.
- The importance of anticipating staffing needs and reducing staff turnover.
- Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.

Understanding these issues is critical to avoid repeating them in the future, under similar con-

tingencies. Their prevalence in Iraq contributed significantly to reduced program effectiveness and increased the potential for fraud, waste, and abuse. The following further illustrates issues identified in SIGIR's work.

Security. The U.S. government did not fully anticipate or plan for the unstable working environment that faced U.S. managers when reconstruction began in Iraq. Security issues have continuously permeated and hampered reconstruction efforts across much of Iraq. From the beginning of reconstruction in 2003, U.S. agencies have incurred high costs for security—spending billions of dollars for protection—which has diverted funds from reconstruction projects.

The unstable security environment had other consequences as well, including the sabotage of basic oil and electric infrastructure while the United States was investing to improve the capacity of these industries. SIGIR reported that because of poor security, \$560 million was wasted, resulting from costly repairs to these facilities. In addition, SIGIR also reported at one point that contractors spent an average of almost 12.5% of their reconstruction contract dollars for security. In one case, SIGIR found that 53% of the expenditures to create a financial management information system for GOI were reportedly used for security.

SIGIR reports have also identified other consequences of the security environment. For example, SIGIR found many instances in which the threat of violence prevented U.S. officials from performing quality assurance functions and hampered the work of some Provincial Reconstruction Teams. It was not always clear why the

government chose to continue a project that was being significantly disrupted by security problems. Nor was it clear who was responsible for the decision to continue, and what information was available to support the decision. SIGIR believes that a more deliberate and documented process for supporting the government's decisions is needed.

Organizational Structures and Processes. Throughout Iraq reconstruction, poor inter-agency coordination and frequently changing, fragmented organizational structures contributed to delays, increased costs, terminated projects, and completed projects that did not meet program goals. DoD, DoS, and the U.S. Agency for International Development used their own management structures and decision-making processes.

Some of these problems were made worse because the U.S. government changed its organizational structures and shifted program responsibility to other organizations. For example, SIGIR reported in April 2006 that the CPA had spent more than \$104 million on programs to secure Iraqi oil and electrical infrastructure, but had difficulty accomplishing this goal for two reasons. First, three organizations were responsible for program implementation, but none was clearly in charge. Second, changes to the program structure during implementation resulted in changed priorities and program terminations. In another example, multiple agencies are currently implementing programs in ministerial capacity development, economic development, anticorruption, and asset transfer. In each area, agencies implement their own programs—often with little prioritization of projects or cross-agency

planning. Without a carefully integrated set of programs to support the transfer of these assets, the risk that the U.S. investment will be wasted is very high, as SIGIR has reported many times.

Staffing Concerns. Problems in U.S. program and project management were exacerbated by two factors:

- not having the right number of people with the right skills to manage the contracting and program management workload
- the rapid turnover of personnel, which resulted in the loss of institutional knowledge

The U.S. government did not come prepared to manage this large construction workload, which led to weak oversight of project management and inadequate quality assurance of projects. In a \$1.8 billion contract, for example, USAID did not have enough personnel to manage construction progress, so it contracted with the U.S. Army Corps of Engineers (USACE) to do the job. Even USACE did not have the skilled people to conduct inspections of the quality of contractor construction against contract specifications. At the mid-point of contract execution, both organizations were staffed at only about half of their planned numbers. This lack of quality assurance raises the risk that funds will be wasted performing costly rework.

Working with Host Governments. Finally, SIGIR work shows that U.S. agencies made many decisions about investments without ascertaining Iraqi needs or obtaining the views and buy-in of Iraqi officials. For example, early in the reconstruction program, the CPA decided that the Iraqi ministries needed a financial management information system, but U.S. planners did not

identify Iraqi ministry user requirements. The program was stopped in 2006 when the contractor's project leader was kidnapped. The program was stopped at that time, largely because of a lack of support from GOI officials. In January 2008, USAID officials and the GOI reached agreement to resume implementation of the system.

In another example, managers of the CERP program are concluding that projects were more successful when Iraqi ministries have been involved throughout the lifecycle of the project. Of the projects reviewed in SIGIR audits, there is a clear correlation between the inability of the United States to transfer control of projects, and the lack of Iraqi input in project selection or execution. When a host nation participates and buys in to reconstruction projects from their inception, projects are more likely to be successfully transferred and maintained.

Collectively, these problems have placed the attainment of many U.S. reconstruction goals at risk.

Steps for the Government To Consider

SIGIR reports have highlighted many lessons learned from specific projects and programs that the U.S. government should consider in planning reconstruction efforts to help reduce the extent of fraud, waste, and abuse while emphasizing program success. Actions to address the broader recurring management issues identified in this report would also be important to consider. Depending on the facts and circumstances of a contingency operation, a number of steps may be needed in key areas to avoid a repetition of the problems identified in this report.

Security. SIGIR identified these actions to consider:

- Develop plans to secure basic infrastructure—such as oil, gas, and water—until the capabilities of the host government can be developed.
- Develop guidance on project risk for managers to assess the merits of funding a project faced with security threats.
- Evaluate the practicality of proceeding quickly with large-scale construction projects when the risk of sabotage may divert funds from construction to security and may threaten the effectiveness of the investment.
- Prepare a comprehensive and independent government estimate for high-risk construction projects that accurately identifies the costs associated with the project—particularly those costs associated with the security risk. This information should be a mandatory part of the contract file.
- Proceed with the project only when senior management specifically determines that strategic objectives outweigh the risks of project failure if government oversight and surveillance activities are impeded to any significant degree by security concerns.

Organizational Structures and Processes.

SIGIR identified these actions to consider:

- Clearly define the management roles, responsibilities, authority, and accountability for program decision-making and ensure management continuity.
- Develop an integrated organizational structure for contingency reconstruction efforts that clearly recognizes the complicated interrela-

tionships between program elements and the success of U.S. program goals. When multiple agencies are participating, the Secretary of State, Secretary of Defense, the Director of USAID, and other agencies as applicable should delineate which lead agency will be in charge of each program element and which agency will be in charge of the overall management and execution of programs.

- Frame an organizational structure that can withstand an extended duration, if needed, to minimize the resulting disruptions and loss of management continuity. An assessment may be appropriate to understand the reasons for the many organizational changes associated with reconstruction efforts and identify actions that may be taken to reduce them in a future contingency operation.
- Ensure management controls over the expenditure of U.S. funds by requiring integrated financial management information systems to support managerial decision-making and to provide the Congress with better information about how U.S. funds are being spent.
- Require that all agencies spending reconstruction monies from any source provide agreed-on contracting information into a single management information system.

Staffing Concerns. SIGIR identified these actions to consider:

- Develop criteria for determining staffing needs so that agencies start with the right people and the right skills.
- Take steps to contain high staff turnover to the extent practical and implement processes to ensure appropriate transfer of program

knowledge when turnovers occur to better ensure program continuity. This is another case where more detailed assessment of personnel turnovers in advance of a contingency may be needed to more effectively deal with this issue.

Working with Host Governments. SIGIR identified these actions to consider:

- At the outset of reconstruction efforts, implement procedures that enable close coordination with the host government to help ensure that reconstruction projects are consistent with needs and to maximize buy-in resulting in acceptance and maintenance of donor-funded projects.
- Obtain initial project buy-in from and systematically work with host-government officials through construction and preparations for transfer to the host government.

SIGIR presents these steps as actions that may be needed or considered—not as specific recommendations. Currently, SIGIR is completing a more comprehensive report on the history and evolution of planning for and management of Iraq reconstruction, which will be issued later this year. The report will provide a number of specific recommendations related to planning for and implementing reconstruction activities in a contingency environment.

Management Comments and Audit Response

The U.S. Ambassador, Iraq, in commenting on a draft of this report, expressed agreement with the issues identified in the report and steps to be considered for the future to avoid repetition of

the problems identified. The Ambassador noted, as did the SIGIR report, the impact of an unstable security environment on reconstruction project management. At the same time, he expressed concern about the absence of information in the report concerning limitations in the capacity of Iraqi governmental institutions to deal with all aspects of project planning and execution and security; and a lack of coverage of steps the U.S. government has taken to improve interagency coordination and deal with the transfer of completed reconstruction projects to the GOI. Although this report does not address GOI capacity issues in depth, it does address challenges related to asset transfer issues, some of which SIGIR recognizes as being capacity-related, as well as the need for improved coordination among all affected parties. SIGIR has reported separately on capacity building and asset transfer issues and plans additional reporting in the future on steps being taken in these areas.

Comprehensive Plan Needed To Guide the Future of the Iraq Reconstruction Management System

(SIGIR-08-021, JULY 2008)

Introduction

This report addresses the Iraq Reconstruction Management System. Public Law 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, created the \$18.4 billion Iraq Relief and Reconstruction Fund (IRRF), and established a requirement for the IRRF-implementing agencies to submit reports to the Congress on how the funding was being used. To

meet this reporting requirement, the law provided \$50 million “to be used to fulfill the reporting and monitoring requirements of this Act and for the preparation and maintenance of public records required by this Act.” The management information system developed to meet the IRRF reporting requirements is known as the Iraq Reconstruction Management System (IRMS).

SIGIR initiated this review to assess the overall management, policies, procedures, uses, and benefits of the data system. However, in the course of conducting the audit work, SIGIR learned that the U.S. Army Corps of Engineers, Gulf Region Division (GRD) is preparing a draft plan for the future of IRMS. Consequently, SIGIR issued this report to alert management of certain issues that SIGIR believes need to be addressed when assessing the future of IRMS.

Issues for Consideration During Planning

IRMS is the only source of aggregate data on the activities and accomplishments of the multiple agencies supporting the U.S. government’s reconstruction efforts in Iraq. According to senior officials in U.S. Mission-Iraq and Multi-National Corps-Iraq, IRMS data is essential to reporting and analyzing the U.S. government’s accomplishments. Without IRMS, the effort and resources required to acquire the same data would be significantly greater.

However, IRMS is four years old; its hardware and software systems are becoming obsolete and need immediate management action to sustain reporting capabilities. According to GRD officials, IRMS has had few major system upgrades, and many of its critical system components are

no longer under warranty. In some cases, the manufacturer no longer supports the system. As its software becomes obsolete, IRMS becomes more complex and less efficient. Without appropriate action, the Congress, DoS, and DoD risk losing the only integrated management information on Iraq reconstruction projects.

A working group comprising IRMS users and GRD—which provides operations and maintenance support for IRMS—has acknowledged the problems and is currently assessing the system and its future. As part of this effort, GRD has prepared a draft plan, the “USACE-GRD Iraq Reconstruction Management System Refresh or Migration Charter,” which examines options for the future of IRMS. In mid-April, the draft plan was presented to senior GRD leadership for consideration. This assessment and the resulting plan offer an opportunity to enhance the usefulness and quality of information generated by the system. To help support the planning effort, SIGIR provides discussions of a number of issues, including organizational accountability, data quality, funding, and system transfer to the GOI.

Organizational Accountability. Currently, no executive level leadership level has the mandate to coordinate and, as required, the authority to compel implementing agencies to take key actions, such as entering project data in IRMS. According to GRD and members of the IIWG, any major changes to the IRMS are coordinated through the IIWG, but GRD incorporates day-to-day operations, maintenance, and system enhancements as necessary. The IIWG assumed the de facto oversight and overall management role for the system with mixed success, but no agency has accepted or been assigned responsi-

bility as the executive agent for the system. As the system continues to develop, and organizations and missions evolve, establishing an executive agent for IRMS or its replacement will become even more critical.

Executive leadership to support the development and use of a joint management information system would provide these benefits:

- provide long-term leadership and strategic guidance on IRMS requirements
- budget for necessary resources and funding to support system requirements
- resolve issues for the IIWG as necessary
- coordinate with the other implementing agencies at the executive level when necessary

Data Quality. IRMS data suffers from a lack of consistency, accuracy, and completeness—even though GRD makes a good effort to ensure data accuracy. SIGIR has previously reported that the system does not include complete project data from all agencies involved in reconstruction activities because the executing agencies were not regularly entering their data into IRMS. For example, as of early January 2008, approximately \$35.3 billion of funds in the IRRF, Iraq Security Forces Fund, Economic Support Fund, and Commander’s Emergency Response Program were obligated; however, IRMS contained data on only \$25.08 billion in projects—71% of the obligations—as of January 2008.

The data quality problems occur because the evolution and growth of IRMS has required numerous changes, patches, and business rule modifications, each adding complexity and decreasing the efficiency of the system. GRD officials acknowledged that IRMS is known to

contain inconsistent and incomplete data in several areas. GRD officials told SIGIR that the complexity of the system was one cause of the problems, as were the business rules that must be established to allow interfaces necessary to obtain data from supporting systems. As IRMS grew more complex and system enhancements were added, some trade-offs in data consistency and completeness had to be made to allow for the required interfaces.

Despite the challenges of the current system, requests for additional enhancements continue to emerge. IRMS has demonstrated the need for a joint management information system to collect aggregate data that can provide a common operating picture across supporting agencies in similar civil-military operations.

Funding Responsibility. Future responsibility for funding the operations and maintenance (O&M) of IRMS has not been determined. Since 2005, GRD has funded the O&M costs as agreed to in the Memorandum of Understanding signed by the IRMS users. GRD officials provided documentation showing that operating and maintaining IRMS costs approximately \$4 million annually, excluding software or hardware upgrades. According to GRD officials, over the next few years, the U.S. Army Corps of Engineers is expected to change the organizational structure of GRD significantly. If this transition occurs, the fiscal and technical support needed for IRMS or its replacement might not be available.

Transferring Information. Although not required by law, an initial objective of IRMS was to serve as a vehicle for transferring information on U.S. reconstruction projects to the GOI. As envisioned, the GOI would use IRMS to obtain

warranty information, operating manuals, blueprints, cost data, and other key project information needed to operate and maintain the projects and to leverage their value for international loans. In September 2005, DoS and GRD agreed to develop a transition strategy that would identify system specifications, an assessment of required capability, and an estimate of sustainment costs. However, the strategy was never developed. Instead, a monthly file is used to transfer IRMS data to the GOI using the UN-sponsored Donor Assistance Database system. This plan offers the opportunity to consult with the GOI regarding project information and to assess whether IRMS has any potential as a tool for meeting data-transfer requirements.

Recommendations

To provide the necessary senior leadership to support the development and use of a management information system that meets the needs of its stakeholders, SIGIR recommends that the U.S. Ambassador to Iraq and the Commanding General, Multi-National Force-Iraq, jointly direct the establishment of an interagency planning process to address the future operation and use of IRMS. Also, SIGIR recommends that the plan address the following:

1. An accountability structure for managing IRMS with assigned leadership for developing a coordinated management plan for the future; and authority to resolve differences between the reconstruction implementing agencies—to ensure the consistency, accuracy, and completeness of IRMS data; and ensure the system's ability to meet the current and future Iraq reconstruction data requirements of its users,

including the Congress. Some key steps needed include:

- a. Appoint an executive agent to take the lead in developing a coordinated management plan that addresses the future of IRMS.
 - b. Direct that the executive agent, in preparing the plan, conduct a systems analysis to identify deficiencies in the integrity, accuracy, and completeness of IRMS data. Also, identify steps to ensure that the deficiencies are not carried forward into a new or revamped system.
 - c. Assess the current and future reconstruction information requirements for system stakeholders, including the Congress, as well as the need for a common operating picture.
 - d. Determine whether to upgrade the current system to a new baseline, develop a replacement system that will meet the defined requirements, or come up with an alternative method that will provide complete, accurate, and consistent data.
2. Identify funding requirements and sources for developing and implementing the future system and for the continued support of IRMS or its replacement.
 3. Decide whether to use IRMS as the vehicle for transferring reconstruction data to the GOI, and, if so, develop a formal agreement with the GOI on the expected format of the data and the required system components.

Matter for Congressional Consideration

In prior reviews, SIGIR has noted that IRMS was not providing complete information on the Iraq

reconstruction program. In this report, SIGIR recommends the development of an interagency process to plan the future use and operation of IRMS. Because the Congress established the requirement for reconstruction information, the Congress may request the Secretary of State and Secretary of Defense to provide a copy of the plan.

Management Comments and Audit Response

GRD provided written comments on a draft of this report but did not express an overall view on the issues that SIGIR identified. According to GRD, it has initiated a study of IRMS that will consider factors such as the system's age, compatibility of hardware platforms, software, and network infrastructure. The study will also provide GRD with recommendations for the future needs of stakeholders. GRD also said that the IIWG will continue discussing the future of IRMS at its meetings and that future discussions will focus on appointing an executive agent to take the lead in developing a coordinated management plan that addresses the future of IRMS, and identifying funding requirements and sources for developing and implementing the future system and for the continued support or replacement of IRMS.

MNSTC-I, JCC-I/A, and USAID provided informal comments that SIGIR considered in finalizing the report.

The U.S. Embassy and MNF-I did not respond, and SIGIR continues to believe that there is a need for joint action by the Ambassador and Commanding General, MNF-I, to fully address

the recommendations. SIGIR plans to continue monitoring reconstruction reporting.

Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains

(SIGIR-08-022, JULY 2008)

Introduction

Recently, the a congressional committee raised concerns that significant U.S.-appropriated money from the Iraq Security Forces Fund (ISFF) continues to be spent on infrastructure⁷⁵⁴ projects related to developing the Iraqi Security Forces and that the GOI should shoulder more of the financial burden for infrastructure development. This issue gained particular attention when DoD proposed to realign \$590 million of FY 2007 ISFF funds to infrastructure development from other ISFF accounts.

Because of the congressional interest, SIGIR evaluated:

- the status of U.S.-appropriated ISFF funds used for infrastructure projects in Iraq, including factors affecting program execution and use of these funds and spending plans for unobligated funds and unliquidated obligations
- the factors indicating and affecting a shift toward greater use of Iraqi funding to support Iraqi Security Forces infrastructure projects

Results

Approximately \$4.7 billion (30%) of all U.S. funds appropriated for the ISFF have been programmed for infrastructure projects. As of June 30, 2008,

\$944.6 million remains unobligated in the infrastructure sub-activity group, of which \$791.1 million is available for new obligations. The remaining unobligated funds have expired and cannot be used for new obligations. In addition, some ISFF infrastructure projects have incurred obligations, but substantial payments have not been made. Some of these projects, such as for construction of police stations, were approved in 2006.

The large amount of unobligated balances, as well as funds obligated but not yet expended, suggest that ISFF-supported construction projects will continue at least into 2010. Also, SIGIR was informed that some planned projects, such as police station construction, may be canceled because of difficulties in securing the land deeds needed to begin construction; this would make additional funds available for other infrastructure projects.

On June 30, 2008, the President signed H.R. 2642, P.L. 110-252, providing an additional \$1.5 billion in FY 2008 supplemental ISFF funds and \$1.0 billion in FY 2009 ISFF funds. Both the FY 2008 supplemental appropriation and the FY 2009 appropriation expire on September 30, 2009. MNSTC-I stated that neither of these two appropriations provides funding for Iraqi Security Forces infrastructure development.

The inability of the GOI to quickly execute its budgets and the need for speedy project execution to take advantage of security gains on the ground have been the key factors creating reliance on the United States to fund and execute infrastructure projects using ISFF. However,

available budget information shows a clear trend toward greater reliance on the GOI to fund such projects, with the United States reducing its ISFF support for infrastructure projects.

Matter for Congressional Consideration

The Congress may wish to examine MNSTC-I's infrastructure spending plans for the remaining ISFF monies that have not yet been obligated or expended to identify further opportunities to transfer funding responsibility to the GOI—either on a full-funding or cost-sharing basis.

Management Comments and Audit Response

The Multi-National Security Transition Command-Iraq stated that it will continue to emphasize and initiate Government of Iraq full funding or cost sharing across all ISFF categories, including infrastructure. It also updated information on the Government of Iraq having obtained necessary land deeds so that planned construction of police stations using ISFF can resume. SIGIR has revised the report to reflect this information.

The Office of the Secretary of Defense-Comptroller provided clarifying comments, which were incorporated in this report.

The Joint Contracting Command-Iraq/Afghanistan responded that it had no comments on the draft report.

Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains To Be Done

(SIGIR-08-023, JULY 2008)

Introduction

SIGIR has issued four reports addressing U.S. Embassy efforts to manage a multitude of U.S. government agency anticorruption programs, including those of DoS, the Department of Justice, the U.S. Agency for International Development (USAID), and Multi-National Force-Iraq (MNF-I). In a July 2006 report,⁷⁵⁵ SIGIR identified fundamental problems that affected the effective implementation of U.S. anticorruption efforts, such as a lack of coordination and leadership in anticorruption programs.

SIGIR provided 12 recommendations to address these problems and to form the basis to determine progress in improving management. For example, SIGIR recommended that DoS appoint a senior leader to direct the anticorruption program and provide continuity in program administration and that a steering group be established to provide oversight over program management and ensure that all are working toward a common goal in an efficient and effective manner.

In the April 2008 report,⁷⁵⁶ SIGIR discussed how the U.S. Embassy had implemented actions to address two recommendations, but that actions were still needed to fully address the remaining ten.

SIGIR's objectives for this report were to determine:

- DoS progress in implementing its revised anticorruption management plan and addressing

- previous SIGIR recommendations
- the anticorruption efforts of the GOI

This report was conducted as SIGIR Project 8023.

Results

Reducing corruption in Iraq will be a difficult and lengthy process, requiring a sustained commitment by all parties. Recent actions by DoS and U.S. Embassy-Baghdad indicate continued commitment to improving the management of the U.S. anticorruption program. Importantly, SIGIR determined that the Embassy has fully addressed 3 more of SIGIR's previous 12 recommendations: 5 recommendations are now closed. Some work has also been accomplished toward addressing the seven open recommendations; however, much remains to be accomplished to fully establish and implement a comprehensive and effective program. Managers need to improve the existing program strategy and to address staffing and financial shortages. Coordination between U.S. civilian and military anticorruption efforts also needs to improve.

The U.S. anticorruption strategy that was produced in June 2008 is partially responsive to SIGIR's audit. However, the strategy lacks metrics that tie objectives and programs to a goal, as well as baselines from which progress can be measured. Consequently, the U.S. government has not established a basis for assessing the program's impact on reducing corruption in Iraq. This leaves future program investments vulnerable to wasteful spending, ineffectiveness, and inefficiency. SIGIR has other concerns regarding the draft strategy, including:

- The strategy does not capture the lessons learned or best practices from previous U.S. and other donor anticorruption country around the world.
- The strategy does not stipulate either how it supports the GOI anticorruption approach or the extent to which the GOI is committed to the U.S. programs.
- The strategy does not discuss how the United States will address the emerging challenges of provincial leaders.

DoS and the Embassy have not moved aggressively to obtain the necessary program funding. The U.S. Embassy has identified \$10 million in expired IRRF funds as the primary funding source for new programs identified to support anticorruption efforts. These resources would add to existing funding—such as USAID and INL funds—used for anticorruption programs. In February 2008, DoS submitted a request to the Congress for these funds, but the Congress returned the request, asking for additional details on how the money was to be used. As of July 9, 2008, DoS had not resubmitted the request because it was still finalizing a list of anticorruption projects to be funded out of these monies. As a consequence, the program managers are uncertain about the level of resources that will be available to accomplish their mission.

Further, key positions within the program have either not been staffed or were staffed by personnel from other agencies. For example, the Deputy Coordinator program position has not been filled. In the interim, the Embassy has been relying on DoD augmentees to fill vacant positions. Last, frequent rotations of anticorruption

tion personnel have been a continuing concern to management.

As to the issue of oversight, the Anti-Corruption Coordinator (Coordinator) informed SIGIR that informal efforts are undertaken to share information between DoD and DoS entities implementing anticorruption programs, but no formal mechanism requires coordination of DoD efforts with the Anti-Corruption Coordination Office (ACCO). For example, MNSTC-I meets with the ACCO and informs the Embassy of its efforts to bolster anticorruption training and execution in the Iraqi Ministries of Defense and Interior, but are not required to vet its program through the ACCO.

Meanwhile, the GOI must do much more to address corruption, although certain efforts have demonstrated progress. The U.S. Anticorruption Coordinator and the Chairman of the Iraq Joint Anticorruption Council (JACC) informed SIGIR that the improved security situation has increased the confidence of the GOI to begin to address the issue of corruption. For example, the GOI has ratified the UN Convention Against Corruption (UNCAC), which can provide a roadmap to achieve anticorruption goals. Also, the Council of Representatives is currently considering draft legislation updating the mandates of the GOI's three primary anticorruption organizations. Also, GOI officials report progress addressing the 18 initiatives identified in a January 2008 anticorruption conference.

However, U.S. and UN officials remain concerned about the capacity of these organizations. Moreover, intimidation and threats continue to impede effective anticorruption efforts, and cur-

rent GOI regulations continue to have a corrosive effect on the perception of GOI's commitment to aggressively address corruption.

Recommendations

SIGIR recommends that the Secretary of State expedite actions to provide the required information to the Congress regarding the use of IRRF monies for anticorruption activities.

Because of the importance of ensuring that the GOI is fully committed to anticorruption efforts, and the value of a well-coordinated technical support effort by the U.S. government to support the GOI's efforts, SIGIR recommends that the Ambassador of the U.S. Embassy in Iraq direct that the Coordinator for Anticorruption Initiatives review the U.S. anticorruption strategy to ensure that it contains the following elements:

- recognition of global best practices in anticorruption programs
- integral ties to the GOI anticorruption strategy and the anticorruption sections of the International Compact
- assurances of full GOI commitment and support for the U.S. approach and projects
- clear goals and objectives with criteria to measure progress
- the need for consideration of local anticorruption capacity building
- a prioritization of anticorruption projects based on a strategic analysis of the need and resources available

Moreover, SIGIR also recommends that the Ambassador and the Commanding General, MNF-I, work jointly to ensure that all U.S. gov-

ernment anticorruption programs, regardless of funding source or agency management, are fully vetted through and coordinated with the ACCO.

Matter for Congressional Consideration

Making meaningful and lasting changes to reduce corruption will require a sustained and lengthy effort by the GOI and all groups seeking to help facilitate the process. Therefore, as the Congress considers future funding for this program, it may want to consider the need for dedicated funding predicated on the Embassy's development of clear anticorruption goals, objectives, and periodic reports on results.

Management Comments and Audit Response

SIGIR received written comments on a draft of this report from MNSTC-I, and technical comments from the U.S. Embassy-Iraq. MNSTC-I expressed concern about a statement in the draft report that it does not coordinate its anticorruption activities with the ACCO. SIGIR's point was that no one single person or organization is accountable for directing all U.S. government anticorruption efforts. SIGIR acknowledges that MNSTC-I and the ACCO keep each other informed of their respective activities, but MNSTC-I is not required to obtain the ACCO's approval for its activities. SIGIR has added wording to the report to more specifically address MNSTC-I's point on coordination and SIGIR's position on the lack of program accountability.

The U.S. Embassy's Anticorruption Coordinator provided technical comments, which SIGIR has included where appropriate.

Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq

(SIGIR-08-024, JULY 2008)

Introduction

Since 2004, SIGIR's mandate was largely tied to the sizeable Iraq Relief and Reconstruction Fund; therefore, SIGIR focused heavily on audits of Iraq reconstruction projects. But in recent years, the Congress has increased SIGIR's oversight authority over other funds that provide support to Iraq relief and reconstruction activities, such as the Economic Support Fund. To respond to this enlarged mandate, SIGIR has begun audits of these other areas, including U.S. economic assistance programs designed to stimulate the Iraqi economy.

This report provides information on the Department of Defense (DoD) Task Force to Improve Business and Stability Operations in Iraq (Task Force) and its efforts to support economic development and recovery in Iraq. Specifically, it provides information on the financial resources devoted to the Task Force and the major areas of economic development assistance, along with examples of completed and planned projects. This is the first of several reviews planned by SIGIR to compare, contrast, and otherwise assess the various economic support initiatives in Iraq that are funded by the United States.

Results

Since the beginning of the war in 2003, Iraq's unemployment rate has remained at approximately 60%. DoD believes that the large underemployment/unemployment rate is one factor fueling violence in the country. In June 2006, DoD

KEY AREAS OF FOCUS

FOCUS AREA	STRATEGY	ESTIMATED FUNDING ALLOCATION
Industrial Capacity Restoration	Restart and restore production to idled Iraqi industrial base.	\$52.6 million
Private Investment/Privatization	Facilitate direct investment opportunities from institutions, private equity, and corporations.	Unable to readily determine
Communications Infrastructure	Incentivize the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity.	\$17.5 million
Direct Economic Stimulus through DoD Contracts	Policies, processes, and systems to support Joint Contracting Command to direct U.S. government contracts to private Iraqi business.	\$13.5 million
Banking and Financial Networks	Incentivize the development of private-sector financial services and associated infrastructure.	\$6 million

Source: DoD Task Force to Improve Business and Stability Operations–Iraq

TABLE 3.4

established a Task Force in the Office of the Secretary of Defense to focus on efforts to stimulate economic development and employment in Iraq. In FY 2007 and FY 2008, the Task Force has received about \$180 million in Global War on Terrorism (GWOT) and other related funding and has requested over \$49 million in the FY 2009 budget to fund its activities. To date, the Task Force reportedly has provided about \$50 million for 53 projects to restart or revitalize 34 state-owned enterprises. State-owned enterprises are factories that played an important role in Iraq's pre-war economy, employing about 15% of the Iraqi population, according to DoD officials. The GOI also has reportedly allocated \$400 million in 2008 for the rehabilitation of state-owned enterprises and has requested similar allocations for 2009 and 2010.

To stimulate economic development, the Task Force has focused on restarting factories, use of U.S. government contracting, private investments, and other efforts. Task Force officials told SIGIR that a specific allocation of funding between the key elements is difficult because funds are placed against efforts that support more than one element. Some of the funding was used for administrative and support items, such as security, life support, and travel. The officials also told SIGIR that it is not possible to derive the precise dollar amount allocated to each of the Task Force's elements.

For the Task Force's economic development efforts and a rough estimate of the funds devoted

to those areas, see Table 3.4.

The Task Force estimates that its overall efforts, in partnership with other agencies, have created about 100,000 Iraqi jobs.

SIGIR makes no recommendations in this report. SIGIR is issuing this report for information purposes to provide an overview of a current DoD effort underway to foster economic development in Iraq. SIGIR plans to continue its evaluation of the effectiveness of this and other economic assistance programs, the effectiveness of coordination among U.S. economic assistance programs, and other issues.

ONGOING AND PLANNED AUDITS

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits⁷⁵⁷ of major Iraq reconstruction contracts to respond to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

ONGOING AUDITS

SIGIR is currently working on these ongoing audits:

- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-8003: Review of Spending and

Performance under Kellogg Brown & Root Services, Inc. (KBR) Reconstruction Projects—Oil Sector (focused contract audit)

- SIGIR-8016: Survey of U.S. Government Contracts Related to the Personal Security Functions in Iraq
- SIGIR-8017: Review of Department of Defense Contracts in Iraq with the Aegis Private Security Company
- SIGIR-8018: Review of Quick Response Fund (QRF) and Iraq Rapid Assistance Program (IRAP)
- SIGIR-8019: Joint Review with the Department of State Office of Inspector General of Blackwater Contract and Associated Task Orders for Worldwide Personal Protective Services (Replaces former SIGIR Project 7018)
- SIGIR-8020: Review of Iraq Reconstruction Projects Terminated for Convenience or Terminated for Default
- SIGIR-8021: Survey of Overall Economic Support Fund (ESF) Program Management and Expenditures
- SIGIR-8022: Review of the Transition of Iraq Reconstruction Projects to the Government of Iraq
- SIGIR-8024: Follow-on Review of Iraqi Security Forces Information Provided by the Department of Defense Report Measuring Stability and Security in Iraq
- SIGIR-8025: Survey of Department of State and USAID Contacts and Grants for Democracy-building Projects in Iraq

PLANNED AUDITS

The National Defense Authorization Act for Fiscal Year 2008 changed SIGIR's audit authority to include all funds devoted to Iraq reconstruction without regard to fiscal year and without being limited to specific appropriation accounts. As such, this changed the scope of a previous legislative mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. As part of that effort, SIGIR has been completing a series of focused contract audits dealing with outcome, cost, and oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse.

Although those initial reviews focused mainly on funding under the Iraq Relief and Reconstruction Fund (IRRF), future SIGIR reviews will include contracts under other funding sources—such as the Iraq Security Forces Fund (ISFF) and the Economic Support Fund (ESF)—under SIGIR's expanded audit authority. Further, the legislation also gave SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other inspector generals.

SIGIR has initial audit work underway examining two of the larger private security contractors, Aegis and Blackwater. The latter is a joint audit with the Department of State Office of Inspector General. SIGIR also has a broader

survey work underway to more fully identify contractors and subcontractors providing private security functions in Iraq as it works to develop a comprehensive plan for audits in this area. SIGIR is finding that identifying individual subcontractors is likely to be a continuing effort because the data bases are limited. SIGIR has begun consulting with other inspectors general engaged in Iraq audits as it begins to develop specific proposals for individual audits.

SIGIR's planning for other audit work in Iraq reconstruction will be done in line with its planning for focused contract audits and other

audit work being planned under two key goals contained in SIGIR's strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction

SIGIR's strategic audit plan can be found at the SIGIR website: www.sigir.mil/audits.

SIGIR INSPECTIONS

This quarter, SIGIR conducted six project assessments and issued seven reports. Five of the seven reports were assessments of relief and reconstruction work funded under the Economic Support Fund (ESF), and SIGIR assessed one project funded by the Iraq Relief and Reconstruction Fund (IRRF)—the Kahn Bani Sa'ad Correctional Facility. The seventh report reviewed 115 project assessments that SIGIR completed prior to this quarter.

SIGIR conducts two types of project assessments: sustainment and construction assessments. SIGIR's sustainment assessments focus on whether projects delivered to the Iraqis are operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determines whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determines whether sustainability was adequately planned for and whether it is likely to continue.

SIGIR's construction assessments address these general questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational

effectiveness adequately addressed?

- Were the project results consistent with the original objectives?

Since the Inspections program began in summer 2005, SIGIR has completed 122 project assessment reports, 96 limited on-site inspections, and 548 aerial assessments.

As in previous quarters, the tense security situation throughout much of the country impeded Iraq reconstruction projects and SIGIR on-site assessments, significantly limiting access and inspection time while at the project sites.

This quarter, for the first time, SIGIR Inspections assessed activities funded by the ESF:

- Al Shofa Water Facility
- Al Kazim Water Supply
- Nassriya 33-Kilovolt Power Line
- Al Ager Water Compact Unit
- Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3

At the time of inspection, the three water projects ranged from being 17%-59% complete, and the construction SIGIR observed appeared to meet the standards of the contracts. The Nassriya 33-Kilovolt Power Line project was 65% complete when inspected, and its construction also appeared to meet contract standards.

The inspection of the Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3 project yielded positive results. The project was built in compliance with contract specifications and promotes the growth of the Iraqi economy by facilitating an increase in

SEVEN PROJECTS ASSESSED THIS QUARTER (\$ THOUSANDS)

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Al Shofa Water Facility	Construction	Nassriya	\$349	GRS	ESF	Local	South
Al Kazim Water Supply	Construction	Nassriya	\$493	GRS	ESF	Local	South
Nassriya 33-Kilovolt Power Line	Construction	Nassriya	\$1,538	GRS	ESF	Local	South
Al Ager Water Compact Unit	Construction	Nassriya	\$650	GRS	ESF	Local	South
Kirkuk-to-Baiji PEZ—Phase 3	Sustainment	Tameem	\$3,838	GRN	ESF	Local	North
Kahn Bani Sa'ad Correctional Facility	Construction	Diyala	\$40,497	GRD	IRRF	Parsons	Central
Summary of Project Assessments through 2008	Summary	Various	\$1,600,000	Various	Various	Various	All

TABLE 3.5

the flow of crude oil for export to Turkey and for refining to generate electricity for domestic use and to improve the living conditions of the Iraqi people by making available fuel for heating, cooking, and transportation.

The inspection of the IRRF-funded Kahn Bani Sa'ad Correctional Facility revealed a project that was poorly constructed and prematurely turned over to the GOI without any sustainment planning, which resulted in an abandoned, incomplete facility.

Table 3.5 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix K.

Figure 3.1 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

SIGIR PROJECT ASSESSMENT REPORTS

This section summarizes the SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website: www.sigir.mil.

Kahn Bani Sa'ad Correctional Facility, Kahn Bani Sa'ad, Iraq

SIGIR PA-08-138

This project assessment was originally initiated to support SIGIR's focused financial review of work performed by Parsons Delaware Incorporated.⁷⁵⁸

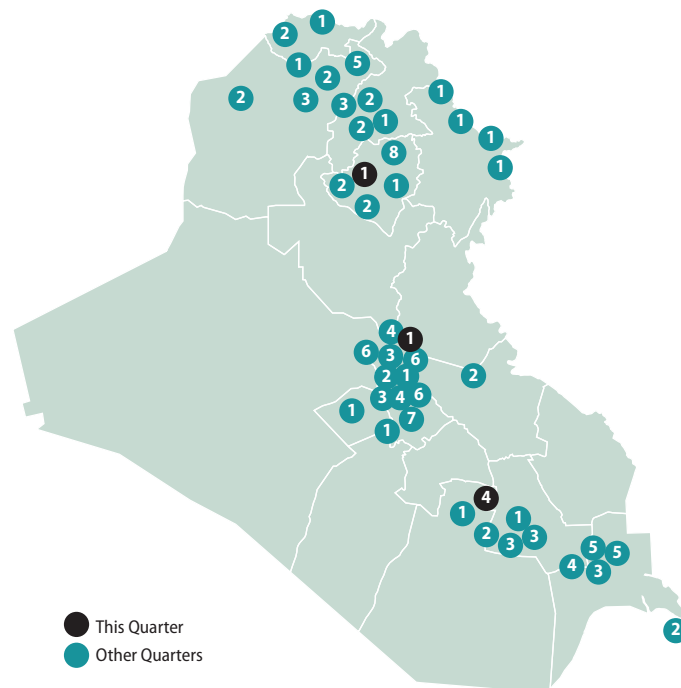
In particular, SIGIR assessed work on the Kahn Bani Sa'ad Correctional Facility project, a \$40 million effort that the U.S. government ultimately terminated for default on the part of Parsons in June 2006. When the project was terminated, Parsons had only partially completed the facility; subsequently, the U.S. government awarded three successor contracts to complete the work. In June 2007, however, citing security issues, the U.S. government terminated all remaining work on the project, leaving more than \$1.2 million in materials at the site.

To verify the current status of the project and the condition of the material, SIGIR visited the Kahn Bani Sa'ad Correctional Facility project site. SIGIR conducted this project assessment in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included a professional engineer/inspector, two auditors/inspectors, and the SIGIR Deputy Inspector General.

Figure 3.1

PROJECT ASSESSMENTS

Approximate locations of the 121 projects where inspections were conducted, analyzed, and reported to date.



The objective of the original task order was to increase the number of beds of the Iraqi Corrections Service for the Iraqi Ministry of Justice. The task order would result in the construction of a new secure prison facility to house 3,600 inmates in three types of facilities. The project was designed for phased construction; Phase 1 required the construction of a new facility with a 1,800-bed capacity.

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR identified the actions taken since

the project was turned over to the GOI and the current condition of the project.

Site Visit

On June 14, 2008, SIGIR performed an onsite assessment of the Kahn Bani Sa'ad Correctional Facility project. When SIGIR visited the site, the facility was neither secured nor occupied by the GOI. SIGIR confirmed that the facility remains in the same condition it was in when it was unilaterally transferred to the GOI on August 1, 2007.

In May 2007, an engineering assessment company inspected the partially completed facility and identified many construction deficiencies in its report to the U.S. Army Corps of Engineers (USACE). During the site visit, SIGIR confirmed



Concrete blocks still onsite at the Kahn Bani Sa'ad Correctional Facility.



Example of exposed rebar and severe concrete segregation and honeycombing at Kahn Bani Sa'ad.

these construction deficiencies, including:

- areas of severe exposure of the reinforcement bar on the surface of the load-bearing concrete ceiling beams
- concrete segregation and honeycombing
- potentially dangerous building columns
- generally poor workmanship

SIGIR inspected the entire Kahn Bani Sa'ad Correctional Facility site in search of the \$1.2 million in materials that the contractor reported as “abandoned” when the contract was terminated. SIGIR observed several stacks of cement blocks and several dozen rolls of chain-link fence; however, most of the reported materials were missing from the site.

Conclusions

The assessment reviewed the original work of Parsons and the work of the three additional contracts awarded to continue construction of the correctional facility—including rehabilitating the Kahn Bani Sa'ad electrical substation and installing an underground cable feeder line.

Structural Deficiencies. An engineering assessment company performed a structural assessment and repair plan for the partially constructed Kahn Bani Sa'ad Correctional Facility. According

to USACE documentation, the facility had “numerous deficiencies in construction to include, but not limited to, poorly mixed concrete, insufficient cover over reinforcement, cracking, and poor concrete placement.”

The structural assessment found significant construction deficiencies in several buildings, including three medium-security buildings, one maximum-security building, and one prisoner-segregation building:

- The medium-security buildings had low concrete strength in many columns, as well as concrete slabs with insufficient thickness.
- The maximum-security and prisoner-segregation buildings had low concrete strength with respect to the concrete block walls, and no reinforcement bar was used in many parts of the wall.
- The structural assessment recommended demolishing one medium-security building and significant portions of the other two medium-security buildings, as well as demolishing all non-reinforced walls.

Turnover of the Correctional Facility. In June 2007, the U.S. government terminated the follow-on contractor and authorized leaving more than \$1.2 million worth of materials at

Exterior security fence and guard towers at Kahn Bani Sa'ad.



the site. According to USACE documentation, representatives met with the Deputy Minister of Justice to notify him of the turnover of the Kahn Bani Sa'ad Correctional Facility to the Ministry of Justice and to discuss the planned use of the facility before the turnover. The deputy minister stated that the Ministry of Justice had no plans to "complete, occupy, or provide security for this facility." USACE concluded that "subsequent to 1 August 2007, Kahn Bani Sa'ad will be under the ownership of the Government of Iraq and will no longer be secured."

Potential Uses for the Facility. SIGIR believes that the U.S. government and the GOI should make an effort to use the \$40 million investment that the U.S. government has put forth in the Kahn Bani Sa'ad Correctional Facility. Costly portions of the facility are functioning; with additional investment, other portions could also be used.

Recommendations

SIGIR recommends that the Commanding General of the Multi-National Force-Iraq and the Director of the Iraq Transition Assistance

Office work with the Government of Iraq and the Diyala Provincial Government to identify an Iraqi ministry or element of the Diyala Provincial Government that can make use of the facility.

Management Comments

SIGIR received comments on a draft of this report from the U.S. Mission-Iraq concurring with the recommendation. SIGIR also received comments from Multi-National Security Transition Command-Iraq that were sent through the Multi-National Force-Iraq concurring with the report and recommendation but requested that the Commanding General, Multi-National Force-Iraq (instead of the Commanding General, Multi-National Security Transition Command-Iraq and the Director of the Iraq Transition Assistance Office) work with the Government of Iraq and the Diyala Provincial Government to identify an Iraqi ministry or element of the Diyala Provincial Government that can make use of the facility. SIGIR concurred with the management comments and changed the recommendations of the final report accordingly.



SIGIR inspectors ensuring that the ditch and berm met contract design specifications on the PEZ project.

Evaluation of Management Comments

SIGIR concurred with the management comments and changed the recommendations of the final report accordingly.

Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3, Kirkuk, Iraq

SIGIR PA-08-137

The objective of the project was to reduce oil pipeline interdictions, improve the reliability of crude oil delivery from the Kirkuk oil fields to the Baiji Oil Refinery, and increase exports of northern crude oil via the Iraq-to-Turkey Pipeline.

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. To accomplish this objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to the appropriate Iraqi

ministry, and when observed during the site visit. Specifically, SIGIR determined whether the completed project was operating at the capacity stated in the objective of the original contract or task order.

For this assessment, SIGIR focused on the most recently completed phase of the project, Phase 3, which the USACE Gulf Region North accepted in May 2008.

Conclusions

1. On June 7, 2008, SIGIR visited the Phase 3 portion of the Kirkuk-to-Baiji Pipeline Exclusion Zone (PEZ) project. The fences, berms, ditches, concertina wire, and guard houses were in compliance with contract designs and specifications. In addition, during the site visit, SIGIR observed Iraqi Army soldiers manning the guard houses at each road crossing.
2. Since the beginning of construction for the Kirkuk-to-Baiji Pipeline Exclusion Zone in July 2007, there have been no reported interdictions—resulting directly in the substantial rise of northern crude oil exports. From



Guard tower constructed by Iraqi Army on roof of guard house, part of the PEZ project.

July 2007 to May 2008, exports increased by approximately 91.3 million barrels, or approximately \$8.215 billion. When completed, the entire length of the Kirkuk-to-Baiji Pipeline Exclusion Zone project will cost approximately \$34.4 million. In only 11 months, the additional \$8.215 billion in crude oil revenues has provided a 239:1 return on investment.

3. In addition to the increased oil exports, additional supplies of crude oil are now available at Baiji for refining. The growth in supplies of refined petroleum products has contributed to the increase in electricity production and improved the living conditions of the Iraqi people by making fuel available for heating, cooking, and transportation.

Recommendations and Management Comments

The report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

Al Shofa Water Facility, Nassriya, Iraq SIGIR PA-08-124

The objective of the Al Shofa Water Facility project was to provide access for the local population to safe drinking water and reduce the incidence of waterborne disease by the design and construction of:

- a new compact-unit water treatment plant, with a capacity of 50 cubic meters per hour
- an above-ground storage reservoir
- a pipe network connecting to the existing water network
- a perimeter fence

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?



Sunshade for the generator and the fuel tank at Al Shofa.

- Did the construction or rehabilitation meet the standards of the design?
- Were quality management programs being adequately used?
- Was project sustainability addressed?
- Were the project results consistent with the original objectives?

Conclusions

1. Adequate design documentation for project components was not available for the Al Shofa Water Facility project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide a system overview detailing the process by which raw river water entered the clarifier, was converted to drinking water, and then was released into the distribution system. In addition, the available design documentation lacked necessary details, such as the sizes of the pipes, the potential need for pipe reducers, the diameters of the air and outlet nozzles for the high-pressure filters, equipment lists, and diagram scales.

In a proactive approach, USACE Gulf Region South (GRS) is creating a standardized

70% design for the remaining compact-unit water treatment plants to be constructed in the Thi-Qar province. (These plants will have the capacity to treat 50 cubic meters of water per hour). GRS representatives believe that a standardized design will reduce both the time and contract costs to complete the remaining projects.

2. At the time of the site visit on May 9, 2008, the project was 59% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Shofa Water Facility appeared to meet the standards of the contract.
3. The contractor's quality control (QC) plan was inadequate to guide the contractor's quality management program. Specifically, the QC plan lacked explicit details regarding the use of daily QC reports, identification and correction of construction deficiencies, and testing requirements. The contract also required that the contractor maintain weekly progress reports and construction inspection reports.



Water compact unit with sunshade at Al Shofa.

After reviewing the contractor's daily and weekly QC reports, SIGIR found them to be insufficient. For example, the contractor provided only five daily and weekly QC reports. The QC reports contained project-specific information, such as work activities performed, materials received, and testing performed. However, the number of QC reports provided was inadequate for an effective quality management program, and the first reports did not originate until the project was almost one year old.

Despite the weaknesses in contractor quality control, the government quality assurance (QA) program was effective in ensuring that the construction of the Al Shofa Water Facility project was adequate. The U.S. Army Corps of Engineers quality assurance representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the reports to be sufficiently complete, accurate, and timely. In addition to containing project-specific information to document construction progress and highlight deficien-

cies, the quality assurance representatives also supplemented the daily QA reports with detailed photographs that reinforced the narrative information provided in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the Al Shofa Water Facility project.

4. Sustainability was addressed in the contract requirements. The contract specifications required the contractor to provide and certify warranties for all material or equipment—including any mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contract required the contractor to supply spare parts for one year of the plant operations, supply all chemicals and replacement filters for eight weeks of continuous operation, and provide four weeks of training for operators on project



Elevated storage tank at Al Kazim.

operations and maintenance at the new water treatment plant.

5. The objective of the Al Shofa Water Facility project was to design and construct a new compact-unit water treatment plant with a capacity of 50 cubic meters per hour, an above-ground storage reservoir, and a pipe network connecting to the existing water network. To date, the project results are consistent with the original contract objectives. If GRS maintains the current quality of construction and effective project management, a new compact-unit water treatment plant will provide much-needed safe drinking water to the local community. A water unit this size could serve a population of 5,000 or more persons a day.

Recommendations and Management Comments

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of

the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

Al Kazim Water Supply, Nassriya, Iraq *SIGIR PA-08-125*

The objective of the Al Kazim Water Supply project was to provide access for the local population to safe drinking water and reduce the incidence of waterborne disease by the design and construction of:

- a new compact-unit water treatment plant, with the capacity to treat 50 cubic meters of water per hour
- an above-ground storage reservoir
- a pipe network connecting to the existing water network
- a perimeter fence

Project Assessment Objectives

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with original objectives?

Conclusions

1. Adequate design documentation for project components was not available for the Al Kazim Water Supply project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide any building layouts or plans for sidewalks, foundations for buildings, or the perimeter wall system.

In a proactive approach, the U.S. Army Corps of Engineers, Gulf Region South (GRS) is creating a standardized 70% design for the remaining compact-unit water treatment plants to be constructed in the Thi-Qar province. (These plants will also have the capacity to treat 50 cubic meters of water per hour.) GRS representatives believe that a standardized design will reduce both the completion time for the remaining projects and contract costs.

2. At the time of the site visit on May 9, 2008, the project was 55% complete. In general, the construction appeared to meet the standards of the scope of work. During two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Kazim Water Supply appeared to meet the standards of the contract.
3. The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. From the early stages of the project, the contractor provided GRS with QC reports and a weekly work schedule. Even though the QC re-

ports contained the required project and work activity information to document construction progress and identify problems, the reports did not document construction deficiencies. After reviewing the contractor's QC plan, QC reports, and submittals, SIGIR determined that the contractor's overall QC program was adequate.

The government's quality assurance (QA) program was effective in ensuring that the construction of the Al Kazim Water Supply project was adequate. The U.S. Army Corps of Engineers quality assurance representative maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the QA reports to be sufficiently complete, accurate, and timely. The reports contained project-specific information to document construction progress and highlight deficiencies, and the quality assurance representative also supplemented the daily reports with detailed photographs that reinforced the narrative information. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. Specifically, the quality assurance representative was instrumental in discovering a deficiency in the concrete foundation of the elevated storage tank. The government's QA program is ensuring the successful completion of the Al Kazim Water Supply project.

4. Sustainability was addressed in the contract requirements. The contract required the contractor to provide and certify warranties for all



Water compact unit without sunshade at Al Kazim.

material or equipment—including mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contractor will supply spare parts for one year of the plant operations and all chemicals and replacement filters for eight weeks of continuous operation. Further, the contractor will provide four weeks of training for operators on project operations and maintenance at the new compact-unit water treatment plant.

5. The objective of the Al Kazim Water Supply project was to design and construct a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour, an above-ground storage reservoir, and a pipe network connecting to the existing water network. To date, the Al Kazim Water Supply project results are consistent with the original contract objectives. If the current quality of construction and effective project management by the U.S. Army Corps of Engineers continues, a new compact-unit water treatment plant will provide much-needed safe drinking

water to the local community. A water unit this size could serve a population of 5,000 or more persons a day.

Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

33-Kilovolt Power Line, Nassriya, Iraq SIGIR PA-08-127

The objective of this Economic Support Fund project was to design and construct the equipment required for a 33-kilovolt (kV) overhead line from the Nassriya Old Substation to the Al-Shimiyah Substation.

Project Assessment Objectives

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to



Finishing concrete on the power line project.
(USACE photo)

enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with the original objectives?

Conclusions

1. Adequate design documentation for project components was not available for the 33-Kilovolt Power Line project. The contractor's design package was not complete and lacked sufficient details. Specifically, the design documents did not provide any preliminary alignment plans with topographic surveys, soil reports, right-of-way plans, construction drawings (detail sheets, quantity sheets, or environmental protection plan sheets), structural calculations, foundation calculations, technical specifications, catalog cuts of equipment specified, general design notes with assumptions made,

or standard drawings referenced.

2. At the time of the site visit on May 13, 2008, the project was 65% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its visit to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the 33-Kilovolt Power Line project appeared to meet the standards of the contract.
3. The contractor's QC plan was inadequate to guide a quality management program. Specifically, the QC plan required the contractor to maintain construction inspection reports. The contractor provided to the GRS project engineer only one QC report, which did not provide meaningful information and did not identify any significant construction deficiencies. The QC plan did provide specific details on the responsibilities of key personnel, document control methods, special processes, civil works, inspection and testing, records, and the turnover to the U.S. Army Corps of Engineers (USACE) process.

Despite the weaknesses in contractor quality control, the government's QA program was effective in ensuring that the construc-



Completed tower foundation on the power line project.

tion of the 33-Kilovolt Power Line project was adequate. The USACE quality assurance representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found these reports to be sufficiently complete, accurate, and timely. The reports contained project-specific information to document construction progress and highlight deficiencies. Also, the quality assurance representatives supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the 33-Kilovolt Power Line project.

4. Sustainability was addressed in the contract requirements. The contract required the contractor to be provided a certificate after the final inspection, resolution, and acceptance of the project. In addition, the contract required the contractor's testing and commissioning—such as labor, materials, tools, testing devices, and engineering support—to complete a service transfer of the utilities to the local grid system,

including any acceptance tests performed by the Ministry of Electricity before the turnover.

5. The objective of the 33-Kilovolt Power Line project was to design and construct equipment required for a 33-kilovolt overhead line from the Nassriya Old Substation to the Al-Shimi-yah Substation. To date, the project results are consistent with the original contract objectives. If the current quality of construction and effective project management by GRS continue, a new 33-kilovolt overhead power line will provide the Thi-Qar province area with more reliable and secure transmission of electricity.

Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

Al Ager Water Compact Unit, Nassriya, Iraq SIGIR PA-08-129

The objective of the Al Ager Water Compact Unit project was to design and construct a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour. The

water treatment plant was to contain a reverse osmosis unit, an above-ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence.

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with the original objectives?

Conclusions

1. Adequate design documentation for the project components was not available for the Al Ager Water Compact Unit project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide a system overview detailing the process by which raw water entered the clarifier, was converted to drinking water, and then released into the distribution system. In addition, the available design documentation lacked basic items, such as the piping configurations, equipment locations and sizes,

building layouts, electrical plans, and structural drawings. Additionally, no information on the type, sizes, and specifications of the proposed reverse osmosis unit was provided.

Using a proactive approach, the U.S. Army Corps of Engineers, Gulf Region South (GRS) is creating a standardized 70% design for the remaining compact-unit water treatment plants to be constructed in Thi-Qar province, which also will have the capacity of 50 cubic meters per hour. GRS representatives believe that a standardized design will reduce both the completion time for the remaining projects and the contract costs.

2. At the time of the SIGIR site visit on May 13, 2008, the project was 17% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Ager Water Compact Unit appeared to meet the standards of the contract.

3. The contractor's quality control (QC) plan was inadequate to guide the contractor's quality management program. Specifically, the QC plan lacked explicit details regarding the use of daily QC reports, identification and correction of construction deficiencies, and testing requirements. The contract required that the contractor maintain weekly progress reports and construction inspection reports. After reviewing the contractor's daily and weekly QC reports, SIGIR found them to be insufficient. For example, the contractor provided only five



Foundation of the water compact unit at Al Ager.



Future generator pad at Al Ager.

daily and weekly QC reports. Even though the QC reports contained project-specific information—such as work activities performed, materials received, and testing performed—the lack of a sufficient number of QC reports is inadequate for an effective quality management program.

Despite the weaknesses in contractor quality control, the government's quality assurance program was effective in ensuring that the construction of the Al Ager Water Compact Unit project was adequate. The U.S. Army Corps of Engineers quality assurance (QA) representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the QA reports to be sufficiently complete, accurate, and timely. In addition to containing project-specific information to document construction progress and highlight deficiencies, the quality assurance representatives also supplemented the daily QA reports with detailed photographs that reinforced the narrative information provided

in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's effective QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the Al Ager Water Compact Unit project.

4. Sustainability was addressed in the contract requirements. The contract specifications required the contractor to provide and certify warranties for all material or equipment—including mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contract required the contractor to supply spare parts for one year of the plant operations and all chemicals and replacement filters for eight weeks of continuous operation. The contractor must also provide four weeks of training for operators on project operations and maintenance at the new compact-unit water treatment plant.

5. The objective of the Al Ager Water Compact Unit project was to design and construct a new compact-unit water treatment plant with a reverse osmosis unit, an above-ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence for the new facility. To date, the Al Ager Water Compact Unit project results are consistent with the original contract objectives. If the current quality of construction and effective project management by GRS continues, a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour will be completed, providing much-needed safe drinking water to the local community. A water unit this size could serve the daily needs of 5,000 or more people.

Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region

Division reviewed a draft of this report and had no comments.

SIGIR Project Assessment Review through April 2008, Various Sites within Iraq
SIGIR PA-08-139

This project assessment review is a compilation of all assessments from July 2005 through April 2008. This project assessment was completed in accordance with the Quality Standards for Inspections issued by the President’s Council on Integrity and Efficiency.

Project Assessment Objective

The overall objective of this report is to provide an objective summary by sector of all assessments published through April 2008.

Conclusions

1. As of April 2008, SIGIR has issued 115 project assessment reports, which provide a snapshot of reconstruction activities in six sectors, shown in Table 3.6. SIGIR also issued two summary

SUMMARY OF SIGIR PROJECT ASSESSMENTS, AS OF APRIL 2008

RECONSTRUCTION SECTOR	SIGIR ASSESSMENT WORK
Energy	28 reports and 1 special assessment; \$644 million in contract costs
Health	11 reports; \$22 million in contract costs
Military	14 reports; \$306 million in contract costs
Security and Justice	25 reports; \$252 million in contract costs
Transportation and Communications	19 reports; \$42 million in contract costs
Water	17 reports; \$373 million in contract costs

TABLE 3.6

reports, covering 96 limited inspections.

2. Project assessment reports through April 2008 cover reconstruction project sites in Iraq valued at more than \$1.6 billion—89 construction assessments and 26 sustainment assessments. Random selection of project assessment sites was not practicable. SIGIR sought to select a representative cross-section of projects. To do this, projects were selected for assessment from each sector, from large and small contractors, in different sections of Iraq, involving each of the major U.S. agencies, as well as from ongoing and completed projects. In addition, site visits were based on the availability of secure transportation to and from the project site and the security of the area. Therefore, projections for all reconstruction projects should not be made based on the results of this report.
3. The assessments yielded a variety of results, ranging from well-constructed and successful projects to projects that had serious deficiencies. The deficiencies were largely the result of inadequate contractor performance and insufficient government oversight.
4. Different types of funds have been used to reconstruct Iraq. Most of the projects assessed were funded with the Iraq Relief and Reconstruction Fund. SIGIR also assessed projects funded by the Commander's Emergency Response Program, Iraq Security Forces Fund, Development Fund for Iraq, and the DoS International Narcotics Control and Law Enforcement Fund.
5. Several agencies provide oversight of U.S.-funded reconstruction projects in Iraq. The bulk of the oversight is handled by the U.S.

Army Corps of Engineers, Gulf Region Division, which is subdivided into three subordinate units: Gulf Region Central, Gulf Region North, and Gulf Region South. The Air Force Center for Engineering and the Environment and the Multi-National Division also provided oversight. During the beginning of reconstruction, the Coalition Provisional Authority had contract oversight.

6. Of the 115 project assessments, SIGIR found that 47 had significant deficiencies, and 27 had minor deficiencies. These deficiencies resulted from inadequate design, construction, quality control and assurance, and planning for Iraqi sustainment.
7. Conversely, the 41 projects with no deficiencies and successful results were the result of effective quality management by the contractor and government. Further, complete engineering designs and detailed architectural drawings were instrumental in projects that met contract specifications. Finally, early planning and adequate funding enhanced project sustainment.
8. A common theme among the projects with deficiencies was the inability to produce a product that met the specifications required by the contract, as well as the lack of compliance with the standards referenced in the contract. Inadequately trained/unqualified contractor personnel, inferior materials, and the lack of oversight on the part of the contractor and government led to substandard project results. Also, in some instances, SIGIR found indications of potential fraud. This information was turned over to the Investigations Directorate of SIGIR for further action.

Recommendations and Management Comments

The report did not contain any new findings or recommendations for corrective action; therefore, management comments were not required.

AERIAL PROJECT SURVEY PROGRAM

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 67 images and created 45 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. The SIGIR imagery analyst assessed and reviewed ESF and IRRF projects evaluated this quarter. For an overview of the images produced, see Table 3.7.

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This

quarter, 45 imagery products were produced to assist inspectors with their project assessments of the 6 sites assessed this quarter and to provide analyses of potential future sites.

IMAGERY EVALUATED TO SUPPORT PROJECT ASSESSMENTS

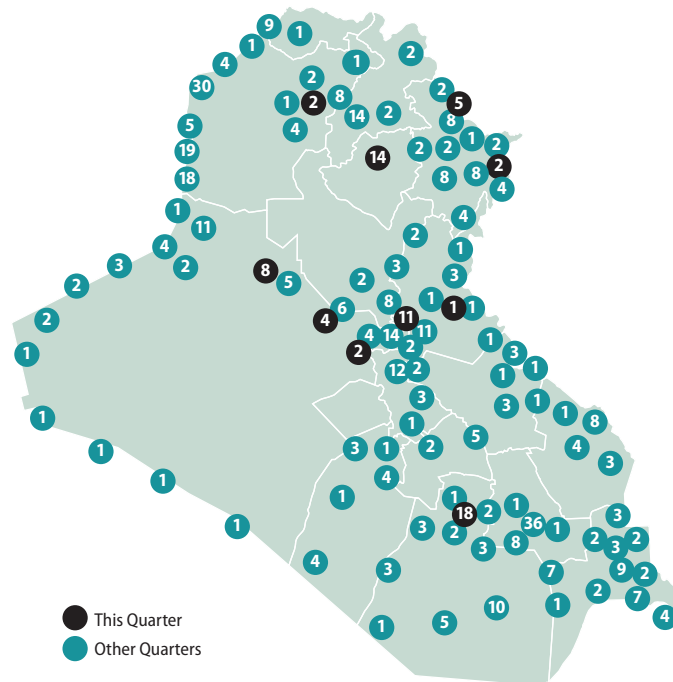
PROJECT TYPE	NUMBER OF PRODUCTS
Kirkuk-to-Baiji PEZ-Phase 3	7
Kahn Bani Sa'ad Correctional Facility	6
Al Shofa Water Facility	3
Al Ager Water Compact Unit	3
Nassriya 33-Kilovolt Power line	2
Nassriya Pump Generator	2
Suroor Elementary School	2
Khandek Intermediate School	1
Additional Products	
Al Khaledeyah School	4
Al Hubobi School	4
Saqliwiyah Water Project	4
Safra Retaining Wall	3
SU 05 Halabjay Taza PHC	2
Al Saward Feeder – PRDC	1
Kurdistan Ministry of Interior	1

TABLE 3.7

Figure 3.2

AERIAL IMAGERY ASSESSMENTS

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 548 cumulative satellite imagery assessments and products (Figure 3.2).



Aerial imagery taken May 22, 2008, of the North and South ends of the Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3.



Aerial imagery taken on July 16, 2006, of the Halabjay Taza Primary Health Care Center.



Aerial imagery taken on February 2, 2008, of the Kahn Bani Sa'ad Correctional Facility.



Aerial imagery taken on June 5, 2007, of the Kahn Bani Sa'ad Correctional Facility.

SIGIR INVESTIGATIONS

This quarter, SIGIR continued numerous investigations into allegations of fraud, waste, and abuse in Iraq reconstruction with 61 open investigations. SIGIR has a staff of 5 agents in Baghdad; 8 at SIGIR headquarters in Arlington, Virginia; and 9 in offices in Pennsylvania, Florida, Ohio, Michigan, Maryland, and Texas to support current investigations and task forces in those areas.

As of June 30, 2008, the work of SIGIR investigators has resulted in 16 arrests, 17 indictments, 8 convictions, and more than \$17 million in fines, forfeitures, recoveries, and restitutions. Five defendants are pending trial in September 2008, and an additional four defendants await the scheduling of trial dates. For an overview of all of the indictments and convictions resulting from SIGIR investigations, see Appendix L.

In conducting its investigations this quarter, SIGIR continued to work with a wide range of U.S. agency partners in Iraq and the United States:

- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)
- Federal Bureau of Investigation (FBI)
- U.S. Immigration and Customs Enforcement (ICE)
- Internal Revenue Service, Criminal Investigation (IRS-CI)
- U.S. Army Suspension and Debarment Authority

Of special note, during the two last months SIGIR has worked closely with Iraq's anticorruption authorities to fundamentally change the relationship between its criminal investigators and their GOI counterparts. This new initiative is discussed later in this section.

LEGAL ACTIONS THIS QUARTER

This quarter, a number of significant cases have progressed through the legal process.

SIGIR previously reported that the joint investigative efforts of CID-MPFU, SIGIR, DCIS, FBI, ICE, and IRS-CI resulted in the July 2007 indictments of **Major John Cockerham, USA;** **Melissa Cockerham** (his wife); and **Carolyn Blake** (his sister); and the arrest and subsequent indictment in November 2007 of **Terry Hall**. The indictments of the Cockerhams and Blake alleged more than \$9.6 million in bribes, and the Hall indictment alleged that money and other things of value were paid to influence the actions of a U.S. military contracting officer, including the award of more than \$20 million in military contracts.

On June 24, 2008, the guilty pleas of the Cockerhams were unsealed. John Cockerham pled guilty to one count of bribery, one count of conspiracy to commit bribery, and one count of money laundering. Melissa Cockerham pled guilty to one count of money laundering. The pleas were taken during a sealed proceeding on January 31, 2008, before the Honorable W. Royal Ferguson, U.S. District Judge for the Western District of Texas, and unsealed June 24, 2008. John Cockerham admitted to participating in a complex bribery and money-laundering scheme while working as an Army major deployed

to Kuwait. He was responsible for awarding contracts for services to be delivered to troops in Iraq, including multi-million dollar contracts for bottled water.

In return for awarding illegal contracts, John Cockerham admitted to receiving—or being promised—more than \$9 million in bribes. Once he agreed to take money in exchange for awarding contracts, John Cockerham directed the contractors to pay his wife, sister, and others to hide the fact that contractors were paying him bribes. Melissa Cockerham admitted that she accepted more than \$1 million in illegal bribe payments on her husband's behalf and that she stored the cash in safe deposit boxes at banks in Kuwait and Dubai. Carolyn Blake's trial is scheduled to begin on October 27, 2008. The trial of Terry Hall has not yet been scheduled.

DEVELOPMENTS FROM TASK FORCE INVESTIGATIONS

This investigation has also resulted in the guilty plea on June 10, 2008, of **Colonel Levonda J. Selph, USA**, to a two-count information charging her with bribery and conspiracy, filed under seal on October 30, 2007, and entered on June 10, 2008, in the U.S. District Court for the District of Columbia. According to the terms of the plea agreement, Selph has agreed to plead guilty, serve a jail sentence that will be determined by the court, cooperate in the government's investigation, and pay \$9,000 restitution to DoD.

According to the charges, in 2005 then-Lieu-

tenant Colonel Selph served as chair of a selection board for an annual \$12 million contract to build and operate several DoD warehouses in Iraq—the Warehouse Distribution System. In her plea agreement, Selph admitted to accepting fraudulent bids from a co-conspirator contracting firm and helping that firm win the contract award. In return for these actions, Selph accepted a vacation to Thailand and \$4,000 in cash.

In October 30, 2004, CPA-IG (which became SIGIR when the CPA was dissolved) reported that the CPA contracting office in Iraq was unable to locate 14 of the 178 contracts that the CPA-IG had requested as part of a verification audit of major CPA contracting actions. One of the missing contracts was the Warehouse Distribution System contract.

This guilty plea has also led to this quarter's most significant action by the Army Suspension and Debarment Official—the proposal for debarment of **George H. Lee, Justin W. Lee, Oai Lee**, and their affiliated companies, **Lee Dynamics International** and **Lee Defense Services Corporation**, on July 1, 2008. These proposals for debarment were based on information included in the previously sealed criminal complaint against Levonda J. Selph, including her plea agreement, in which she admits to her involvement in the fraudulent award of warehouse contracts in Iraq to Lee Dynamics International in exchange for monetary payments. This information constituted the necessary evidence to meet the evidentiary burden for proposal

for debarment under Section 9.406-2(c) of the Federal Acquisition Regulation. In addition, during the drafting of these proposals for debarment, it was discovered that George H. Lee was a corporate officer of **Starcon Ltd LLC**, a Texas-based contractor providing goods and services to the Army in Kuwait. Starcon and its managing partner, **Stephen Guyon**, were also proposed for debarment as affiliates of George H. Lee.

In a separate action related to the Task Force investigation listed above, **Tijani Saani**, a DoD contracting officer on detail to Camp Arifjan, Kuwait, from 2002 through 2007, was arrested in New York on May 7, 2008, and charged in a criminal complaint with filing a false federal tax return. An affidavit filed in support of the arrest warrant alleged that Saani signed his 2005 tax return in which he denied having any interest in, signature authority over, or other authority over a financial account in a foreign country. However, the investigation revealed that Saani maintained an account in the Jersey Channel Islands; from 2003 to 2007, more than \$700,000 passed through the account. On May 16, 2008, Saani was indicted for filing a false income tax return.

In another separate action related to the Task Force investigation, a plea agreement was filed reflecting that another Army contracting officer has agreed to plead guilty to a three-count criminal information. SIGIR will report on this case in future Quarterly Reports.

OTHER ACTIONS

A trial arising from a separate SIGIR investigation involving five subjects, originally scheduled to start in March 2008, has been rescheduled for September 2008. Three of the subjects were active duty military personnel: **Colonel Curtis G. Whiteford, USA**, and **Lt. Colonels Debra M. Harrison** and **Michael Wheeler, USA**. Two of the subjects are civilians: **Michael Morris** and **William Driver**. All are scheduled to stand trial for various crimes alleged to have been committed involving Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparation of a false tax form.

SIGIR previously reported that a grand jury in San Antonio, Texas, indicted **David Ramirez** on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash reporting requirements over \$150,000. Ramirez worked as a contractor for Readiness Management Support at Balad Air Base in Iraq. The trial date for Ramirez has been continued from June to late September 2008.

For a comprehensive list of indictments and convictions, see Appendix L.

SUSPENSIONS AND DEBARMENTS

Since December 2005, SIGIR and its partner agencies have worked closely with the **Army Legal Service Agency's Procurement Fraud Branch** to suspend and debar contractors for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq and Afghanistan. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

In June 2003, DoD designated the Department of the Army as the executive agent for contracting support to CPA. As a result, the Army's Suspension and Debarment Authority leads the effort to ensure the integrity of contractors performing these contracts. The goal of this program is to ensure that these contracts are awarded to—and performed by—contractors who are honest and ethical and who have the ability to successfully perform this important work. The Procurement Fraud Branch has also taken a leading role within the Army and at joint contracting organizations to train contracting officers to aid in the prevention and early detection of contractor fraud in Iraq reconstruction and support contracts.

Since SIGIR's April 2008 Quarterly Report, the Procurement Fraud Branch has suspended 19 more individuals and companies, bringing the total suspensions to date to 77. In addition, 8 individuals and companies have been proposed for

debarment, bringing the total proposed debarments to 43. Total debarments remain at 25.

For a comprehensive list of suspensions and debarments, see Appendix M.

SIGIR'S INVESTIGATIVE WORK WITH OTHERS

This quarter, SIGIR continued its investigative work with many U.S. agencies and GOI officials.

SIGIR AND IRAQ'S ANTICORRUPTION AUTHORITIES

SIGIR investigators have had ongoing relationships with several Iraqi anticorruption officials over the past several years and exchanged information on criminal activity involving Iraqi infrastructure projects and programs managed and funded by the United States. During the two last months, however, SIGIR has initiated a program that is fundamentally changing the relationship between its criminal investigators and their counterparts in the GOI. SIGIR personnel have begun forging a close working relationship with the investigative staff of the Iraqi Commission on Public Integrity (CoI). The CoI, formerly known as the Commission on Public Integrity (CPI), was created in 2004 and given the responsibility for investigating fraud and corruption by Iraqi officials and others within Iraq. The ultimate goal of the relationship is for Iraqi authorities to prosecute Iraqis involved in criminal activity who are outside the reach of U.S. authorities and for U.S. officials to prosecute Americans and others.

SIGIR is approaching the relationship carefully because CoI has been affected by a

number of outside influences since its creation. The leadership of the organization has changed twice; the first Commissioner was forced to flee to the United States for safety; and the second Commissioner was replaced in February 2008. The organization's work was also affected by the amnesty law passed by the Iraqi Parliament, which granted immunity to those who had committed certain types of crimes.

There have been some positive signs for the future of the CoI. SIGIR has received reports that the CoI has made an effort to eliminate corruption within its ranks, and American advisors who work with CoI daily have reported that there is a proposal for CoI's investigative staff to be increased by 100 investigators in 2009—up from the 210 that now staff offices across Iraq.

SIGIR AND THE INTERNATIONAL CONTRACT CORRUPTION TASK FORCE

The **International Contract Corruption Task Force** (ICCTF) supports the six agencies that conduct investigations of fraud in Iraq: SIGIR, CID-MPFU, DCIS, USAID OIG, DoS OIG, and FBI. Since October 2006, the ICCTF's **Joint Operations Center** (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. Based at the FBI in Washington, D.C., the JOC is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

SIGIR AND THE DEFENSE FINANCE AND ACCOUNTING SERVICE INVOICE REVIEW PROJECT

SIGIR continues to support the ongoing Defense Finance and Accounting Service (DFAS) invoice review project in Rome, New York. DCIS launched this proactive project to analyze more than \$10 billion in payment vouchers related to U.S. Army purchases to support the war effort in Iraq. The project has identified suspected fraudulent activity related to the war effort in Iraq, and referrals for investigation have been provided to the ICCTF agencies, including SIGIR.

The Commercial Accounts Payable System (CAPS) information has been obtained from the deployed disbursing stations and placed into a database that will be used to identify fraudulent activity through the use of data mining. This involves about 800,000 vouchers with a value of approximately \$13 billion–\$14 billion. In addition to the analytical efforts to develop cases, DFAS is providing data to the JOC for participating agencies to use in support of ongoing investigations involving fraud and corruption in Iraq.

SIGIR AND THE NATIONAL PROCUREMENT FRAUD TASK FORCE

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other

government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

OTHER AGENCY INVESTIGATIONS IN IRAQ

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For the status of the investigative activities of other U.S agencies, see Table 3.8.

STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008

	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ ONGOING CASES
CID/MPFU	6	4	98
DCIS	3	2	124
DoS/OIG	0	0	4
FBI	3	1	69
USAID	2	0	12
Total	14	7	307

This number may include pending cases worked with other agencies within the JOC.

TABLE 3.8

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. When the SIGIR Hotline receives cases that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR transfers them to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

SECOND QUARTER REPORTING

As of June 30, 2008, the SIGIR Hotline had initiated 664 cases. Of these, 583 have been closed, and 81 remain open. For a summary of these cases, see Table 3.9.

NEW CASES

During this reporting period, the SIGIR Hotline received 23 new complaints, bringing the cumulative total to 664 Hotline cases. The new complaints were classified in these categories:

- 16 involved contract fraud.
- 2 involved miscellaneous issues.
- 2 involved personnel issues.
- 2 involved mismanagement.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. SIGIR received the 23 new Hotline complaints by these means:

- 19 by electronic mail
- 2 by SIGIR Hotline telephone call
- 2 by fax

SUMMARY OF SIGIR HOTLINE CASES, AS OF 6/30/2008

OPEN CASES			
Investigations			71
Audits			10
Total Open			81
CLOSED CASES	1ST QTR	2ND QTR	CUMULATIVE*
	2008	2008	
FOIA	0	0	4
OSC Review	0	0	2
Assists	1	0	46
Dismissed	4	3	119
Referred	10	10	252
Inspections	0	0	79
Investigations	1	1	72
Audits	0	0	9
Total Closed	16	14	583
Cumulative* Open & Closed			664

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to June 30, 2008.

TABLE 3.9

CLOSED CASES

During this quarter SIGIR closed 14 Hotline cases:

- 10 were referred to other inspector general agencies.
- 3 were dismissed for being outside of SIGIR's investigative purview.
- 1 was closed by SIGIR Investigations.

REFERRED COMPLAINTS

After a thorough review, SIGIR referred 10 complaints to outside agencies for proper resolution:

- 3 were sent to the Multi-National Force-Iraq Inspector General.
- 3 were sent to the Department of State Inspector General.
- 2 were sent to the Department of Defense Inspector General.
- 1 was sent to the Joint Contracting Command-Iraq/Afghanistan.
- 1 was sent to the U.S. Army Inspector General.

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 111,000 users visited the SIGIR website this quarter—more than 1,200 users per day.
- Most users were from within the United States (86%). The remaining 14% were from 168 different countries, mainly in Western Europe (5%), Asia (3%), and the Middle East (2%).
- This quarter, the Arabic language section of the site received 845 visits.
- A significant percentage of visitors to the SIGIR website were from U.S. government agencies—most notably DoD and DoS—and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.

For an overview of daily and quarterly visits to the SIGIR website, see Figure 3.3 and Figure 3.4.

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE

Source: Web Analytics, as of 6/30/2008

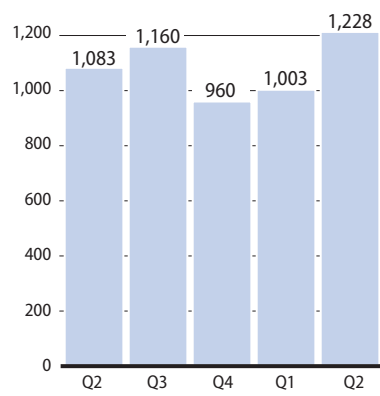


FIGURE 3.3

TOTAL NUMBER OF VISITORS PER QUARTER TO SIGIR WEBSITE

Source: Web Analytics, as of 6/30/2008

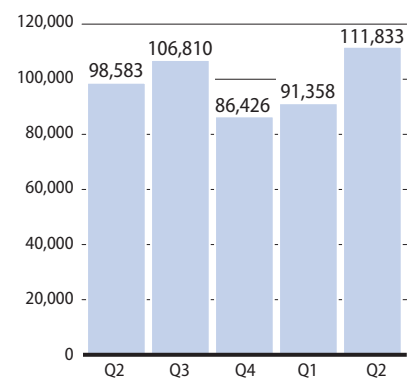


FIGURE 3.4

LEGISLATIVE UPDATE

On June 30, 2008, the President signed Public Law 110-252, the Supplemental Appropriations Act, 2008. The act contains several items related to SIGIR and, more generally, to Iraq's reconstruction. In addition, one bill related to contracting practices passed the House of Representatives.

SIGIR FUNDING IN THE SUPPLEMENTAL APPROPRIATIONS ACT

The Supplemental includes an additional \$2.5 million for SIGIR operations in FY 2008 (for a total of \$37.5 million) and provides an additional \$36.5 million for the first nine months of FY 2009 in its "bridge fund" provision. This funding will enable SIGIR to expand its professional staff and meet its expanded responsibilities under the National Defense Authorization Act for Fiscal Year 2008.

The Supplemental also includes \$1.6 million for General Legal Activities for the Criminal Division of the Department of Justice to provide litigation support services to SIGIR for its ongoing investigations of corruption in Iraq reconstruction.

During the Senate and House floor debates on the Supplemental, Senator Robert Byrd and Representative David Obey, Chairmen of the Senate and House Appropriations Committees, each submitted for the record an identical "Explanatory Statement," which includes the following discussion of the FY 2008

supplemental funding for the Department of State Office of Inspector General (DoS OIG), SIGIR, and the Special Inspector General for Afghanistan Reconstruction (SIGAR):

The Department of State OIG, USAID OIG, SIGIR, and SIGAR each have independent oversight responsibilities in Iraq and Afghanistan. The inspectors general should, to the maximum extent practicable, coordinate, and de-conflict all activities related to oversight of assistance programs for the reconstruction of Iraq and Afghanistan to ensure that oversight resources are used effectively and are not unnecessarily duplicative.

To ensure continuity of oversight of permanent United States Missions, the USAID OIG and the Department of State OIG are expected to actively participate in oversight of all programs funded by this Act and prior Acts making appropriations for the Department of State and foreign operations, in particular oversight of diplomatic and development operations and facilities. Joint oversight with SIGIR or SIGAR is strongly encouraged; however once fully staffed, the Department of State OIG or the USAID OIG should, to the maximum extent practicable, be designated as the lead for any joint oversight conducted with SIGIR or SIGAR of funds involving diplomatic operations and facilities in Iraq and Afghanistan.

OTHER PROVISIONS IN THE SUPPLEMENTAL APPROPRIATIONS ACT

The Supplemental brings the total funds appropriated for the reconstruction of Iraq to about \$50 billion. It provides about \$4 billion in new reconstruction funding for Iraq:

- \$2.5 billion for the Iraq Security Forces Fund
- about \$1.2 billion for the Commander's Emergency Response Program worldwide, of which about 60% will be allocated for Iraq
- \$526.6 million for the Economic Support Fund
- \$85 million for the International Narcotics Control and Law Enforcement Fund

The Supplemental also rescinds \$50 million in prior-year appropriations for the Iraq Relief and Reconstruction Fund. Section 1402 of the Supplemental imposes the following conditions and restrictions on the availability of newly appropriated funds included in the chapter of the bill relating generally to funds provided through DoS and the U.S. Agency for International Development (USAID):

Asset Transfer. None of the funds may be used for infrastructure maintenance activities until the Secretary of State certifies and reports to the Committees on Appropriations that the U.S. government and Government of Iraq (GOI) have entered into, and are implementing, an asset-transfer agreement that includes commitments by the GOI to maintain U.S.-funded infrastructure in Iraq.

Corrections Facilities. None of the funds can be used to build prison facilities in Iraq.

Anticorruption Program. Not more than 40% of the funds appropriated for rule-of-law programs may be made available for assistance for the GOI until the Secretary of State reports that a comprehensive anticorruption strategy has been developed, and is being implemented, by the GOI, and the Secretary of State submits to the

Committees on Appropriations a list, in classified form if necessary, of senior Iraqi officials who the Secretary has credible evidence to believe have committed corrupt acts.

Provincial Reconstruction Teams (PRTs). None of the funds appropriated for the operational or program expenses of PRTs may be made available until the Secretary of State submits a report detailing:

- the strategy for the eventual winding down and closeout of PRTs
- anticipated costs associated with PRT operations, programs, and contract closeout, including security for PRT personnel and anticipated GOI contributions
- anticipated placement and cost estimates of future U.S. consulates in Iraq

Community Stabilization Program. No more than 50% of funds appropriated to the Community Stabilization Program may be made available until the Secretary of State certifies to the Committees on Appropriations that USAID is implementing recommendations to ensure the accountability of funds in that program that were contained in a USAID OIG audit report.

Matching Funds. Generally, funds will be made available only if they are matched on a dollar-for-dollar basis. Before the United States makes an initial obligation of funds, the Secretary of State is required to certify to the GOI commitment to spend matching funds and to report twice yearly on the amounts of funds obligated and expended by the GOI for this purpose. Excepted from these requirements are

obligations for assistance for democracy and human rights programs; the Community Action Program and other civil society programs; “humanitarian demining” (mine clearance for the benefit of civilians); and aid to refugees, internally displaced persons, and civilian victims of military operations.

The Supplemental includes a section entitled the “Close the Contractor Fraud Loophole Act,” which is identical to H.R. 5712, introduced by Representative Peter Welch, and which was adopted by the House of Representatives on April 23, 2008. It addresses a draft federal regulation on the duty of certain government contractors to self-report overpayments or violations of federal law. The draft regulation would not have imposed this duty with respect to contracts to be performed entirely outside the United States or for the acquisition of a commercial item. The effect of the section is to impose this duty without regard to the place where the contract is to be performed or whether it is for the acquisition of a commercial item.

The Committees on Appropriations have directed DoD, in a passage in the “Explana-

tory Statement” on the Supplemental about the Commander’s Emergency Response Program, to “establish minimum guidelines for commanders to follow in monitoring project status and performance indicators to assess the impact of CERP projects,” and to improve reporting on the CERP.

CONGRESSIONAL ACTION ON RELATED LEGISLATION

On April 23, 2008, the House of Representatives passed H.R. 3033, the “Contractors and Spending Accountability Act of 2007,” introduced by Representative Carolyn Maloney. Following passage in the House, the bill was referred to the Senate Committee on Homeland Security and Governmental Affairs. The bill would create a centralized and comprehensive federal contracting database of contractor violations of federal procurement laws that procurement officials could use to evaluate potential contractors. The bill also would require procurement officers to document their decisions to award federal contracts to a contractor with two or more debarments on its record within a three-year period.